

European Communities

EUROPEAN PARLIAMENT

Working Documents

1977 - 1978

24 October 1977

DOCUMENT 341/77 ANNEX

ANNEXES

to the report of M. SHAW (Doc. 341/77)
on behalf of the Committee on Budgets

on the /draft general budget of the European
Communities for the 1978 financial year (Doc. 270/77)

Monetary Compensatory Amounts and possible solutions

The *raison d'être* of the MCA System lies in the fact that agricultural prices are fixed whilst the value of national currencies is not. The problems of floating currencies are much greater than those for currencies in the Snake because sudden variations can be produced on the exchange market by the speculative movements of capital which do not reflect the relative competitiveness of a given economy.

To deal with the problem of MCAs, a number of complete or partial solutions could be considered :

- 1) Replacing MCAs by a system of direct subsidies to consumers or producers,
- 2) Periodic adjustments of representative rates to bring them more closely into line with market rates and thus reducing the economic impact of MCAs without disturbing the basic mechanism. The Commission's proposal of 19 November 1976⁽¹⁾ works along these lines,
- 3) Adjustments to the way in which MCAs are calculated in order to reduce their financial impact.
- 4) Adoption of the European unit of account for converting guaranteed prices from units of account into national currencies and abandoning of representative rates for this purpose,
- 5) Adoption of a European currency to circulate freely at the same time as the existing currencies, and in which guaranteed prices would be labelled,
- 6) Economic and monetary union either with completely fixed parities of national currencies (the status quo ante plus the impossibility of moving from one fixed parity to another) or with the replacement of existing national currencies by a single denominator.

Taking the points one by one :

- 1) Direct Subsidies

This was the solution adopted after the revaluation of the D mark in October 1969 and following the revaluation of the

(1) Doc. 430/76 (Com (76) 616 Final)

(ii)

Dutch florin in September 1973. After three months in 1969, German monetary compensatory amounts were suspended and German producers received a direct aid in the form of a VAT rebate. The method has the advantage of not interfering with trade since no border checks are necessary, whilst at the same time producers do not suffer from a sudden drop in income. However, it is easy for these direct aids to become permanent, as they have in Germany, where payments in respect of the 1969 revaluation are still being made even though the economic circumstances giving rise to revaluation have long since been absorbed and indeed submerged in other devaluations. When direct aids become permanent they are tantamount to a distortion of competition because they are made on a national level and have the equivalent effect to a unilateral price increase.

Following the logic of the system of direct aids, consumers should benefit from subsidies to prevent food prices rising as high as they would otherwise do when a currency is devalued. Significantly, with the exception of the new butter subsidy of the last price review, this form of direct aid has never been tried. Of course, it is administratively far simpler to aid a few thousand farmers than to control the price of food which millions of consumers buy. Equally, the cost of helping consumers is likely to be far greater than that of helping producers.

2) Periodic adjustments of representative rates

Under the Commission's recent proposals,¹ a maximum ceiling should be laid down. After that ceiling had been reached, a change in the market rate would automatically lead to a new representative rate. This ceiling would be higher for depreciated currencies, and for the U.K., Ireland and Denmark until 30 June 1978. It is not stated how high this maximum ceiling should be.

Periodic adjustments of representative rates, irrespective of

(1) Doc. 430/76

(iii)

whether the ceiling had been reached, would take place on the basis of an 18 month reference period. Such adjustments would be made every six months for depreciated currencies and every year at the beginning of the trading year for valorised currencies.

New representative rates were only to be applied if they differed from the previous representative rate by a certain percentage to be determined. A certain exemption from applying MCAs should avoid short-term fluctuations being taken into account unnecessarily. In no case should changes in representative rates give rise to an increase in MCAs, which could happen if the reference period currency movements proved to be further from the overall economic condition of a currency than the previous representative rates (a currency for instance devalued considerably but then strengthened). To avoid excessive burdens on consumers or producers from changes in the representative rate, the Commission proposes that a maximum amount be established by which representative rates should be adjusted during a fixed, but unspecified, period. This maximum adjustment percentage is lower for valorised (i.e. producer impact from changes) than depreciated (i.e. consumer impact) currencies.

In addition, an amendment to paragraphs 3 and 4 of the proposed regulation of 30 November 1976 lays down that the European Unit of Account should be used for calculating movements in exchange rates over the reference period. Utilisation of the EUA could in practice pose several problems to which we will return at point 4.

The Commission's proposals would minimise the impact of MCAs by laying down definite dates at which changes to the representative rates should be made, following therefore the present system of periodic adjustments to bring representative and market rates together and without changing the scope or nature of MCAs; but effectively taking control of the maximum size of MCAs out of the Council's sphere by confining changes to an automatic system rather than the one fixed by the Agriculture Ministers.

(iv)

3) Adjustments to the method of calculation of MCAs

To the extent that MCAs are only justified when agricultural trade is disturbed by monetary fluctuations, a case by case analysis of each product should be undertaken in order to modify existing practice and re-establish normal competition. Thus, it has been proposed:

- (i) To fix at a given date the value of MCAs. Agents operating in countries whose currencies float (in practice the devaluing ones) suffer a risk of exchange losses between the time of sale and the date of passage at frontier which agents from 'snake' countries (in practice revaluing ones) do not incur.
- (ii) As regards agricultural products which are manufactured, the exact proportion of MCAs should be calculated. This is above all necessary when certain products sold into intervention incorporate an important share of manufacturing costs. This is the case for sugar, butter and skim milk powder. MCAs should be limited to ensuring equality of price for agricultural materials, but should not cover industrial costs where relative development depends on competition conditions outside the scope of the CAP.
- (iii) That, for similar reasons, a complete compensation of monetary differences may seem excessive when certain livestock products contain, in fact, an important share of imported products not covered by the CAP: it is notably the case of stock raised on imported soya beans (pigs, eggs and poultry, but also to an increasing extent, dairy products).
- (iv) To widen the exemptions. A simple method proposed by the Commission which would permit to ensure, on a flat rate basis, the free play of competition elements not covered by the CAP. It would be enough to widen the exemptions again; compared with the sums applied at the present time the exemption of 1.5% points decided in

(v)

March 1976 seems quite insufficient to ensure the necessary flexibility.

- (v) To have special import regimes from third countries. For these special regimes which are intended to maintain certain traditional trading flows (ACP beef, New Zealand butter) it does not seem justified to apply MCAs, which are intended to equalise conditions of trade with third countries, whatever the Community country to which they are destined. In the case of frozen meat imported under GATT, MCAs are not applied, even at present.

This particular package of proposals could help to re-establish equality of competition between Member States and reduce the financial burden of MCAs. They do not touch on the principle of MCAs but only the way they operate.

4) European unit of account

The adoption of the EUA, although it should, in principle, obviate the need for MCAs would, nevertheless, create a considerable number of difficulties were it to be applied to agricultural prices.

Firstly, because the EUA is entirely floating its absolute value compared with foreign currencies, \$SDRs or gold also floats, and follows the overall performance of the Community's economy. By April 1977, the value of the EUA had declined by roughly 17% and, if no corrective mechanism were to be introduced, prices paid to farmers would fall by the same amount. Furthermore, there is nothing to stop the value rising or falling in the future.

Secondly, because exchange rates between member states' currencies and the EUA are also floating, the intervention price to be paid to farmers would also vary from day to day. In the case of currencies participating in the "snake", changes would be relatively small, but for the others they

(vi)

Could be quite substantial. . In practice, producers would not know what price to expect from intervention, and those situated in countries where currencies are depreciating they might hold back selling off produce in the hope of exchange rate gains in the future, thus creating artificial ruptures in supply.

It might be argued that the EUA is at least useful in measuring the amount of exchange rate fluctuations over time. However, it is not certain that the EUA can measure accurately exchange rate movements, because the weighting of a given currency also comes into play.

5) Creation of a parallel European Currency

After the failure of attempts to achieve Economic and Monetary Union, there was some discussion of the possibility of introducing a separate European currency to circulate freely throughout the Community at the same time as existing national currencies. Applied to agricultural prices, it would have the advantage of a common unit of measurement directly applicable to intervention buying-in and uniform throughout the Community. Since the price paid to producers would be in theory and in practice the same, no MCAs would be necessary. However, the introduction of a parallel European currency could pose insuperable practical difficulties at the present time.

6) Economic and Monetary Union

This particular course to a solution is mentioned for the sake of completeness; it is recognised that it would be utopian to regard it as practicable in the early future.

APPENDIX IITABLE ICOMMITMENTS 1978

<u>Title</u>	<u>Preliminary Draft Budget</u>	<u>Draft Budget</u>	<u>Variation (+ or -)</u>
Agriculture	8,314,722,600	8,625,162,600	+ 310,440,000
Social sector	585,020,500	572,938,000	- 12,082,500
Regional sector	750,000,000	398,000,000	- 352,000,000
Research,Energy, Industry,Transport	491,912,608	209,873,395	- 282,039,213
Development cooperation	930,349,700	420,336,000	- 510,013,700
Others	token entry	token entry	-----
Staff	401,731,300	384,876,800	- 16,854,500
Administration	108,413,200	105,580,200	- 2,833,000
Information	13,392,000	9,018,000	- 4,374,000
Aids and subsidies	44,811,700	41,558,100	- 3,253,600
Contingency reserve	5,000,000	5,000,000	-----
Refunds to Member States	<u>649,260,000</u>	<u>649,260,000</u>	<u>-----</u>
Total			
Commission	12,294,613,608	11,421,603,095	- 873,010,513
Other Institutions	<u>200,728,786</u>	<u>199,759,747</u>	- <u>969,039</u>
Grand Total:	12,495,342,394	11,621,362,842	- 873,979,552

Note

The table highlights the fact that the Council cut back commitments provisions envisaged by the Commission for the social sector, the regional sector, research, energy, industry, transport, and development cooperation, by a total of 1,156,135,413 EUA.

TABLE II

COMMITMENTS 1978

<u>Title</u>	<u>Preliminary Draft Budget 1978</u>	<u>Draft Budget 1978</u>
	%	%
Agriculture	66.54	74.22
Social sector	4.68	4.93
Regional sector	6.-	3.42
Research, Energy, Industry, Transport	3.94	1.81
Development cooperation	7.45	3.62
Miscellaneous	-	-
Staff	3.21	3.31
Administration	0.87	0.91
Information	0.11	0.08
Aids and Subsidies	0.36	0.36
Contingency reserve	0.04	0.04
Refunds to Member States	5.20	5.59
	<hr/>	<hr/>
Total Commission	98.39	98.28
Other Institutions	1.61	1.72
	<hr/>	<hr/>
Grand Total:	100.-	100.-

Note

The preliminary draft budget envisaged that the percentage of the total budget to be devoted to the social and regional sectors, research, energy, industry, transport and development cooperation, should be 22.07%; the Council cut this back to 13.78%.

APPENDIX III

TABLE SETTING OUT, FOR THE YEARS 1971 TO 1976, REVENUE FROM THE COMMON EXTERNAL TARIFF,
AGRICULTURAL LEVIES, SUGAR LEVIES, AND DEDUCTIONS FROM STAFF REMUNERATION

In MUA

	1971	1972	1973	1974	1975	1976
<u>ESTIMATES OF REVENUE</u>						
Common Customs Tariff ¹	488,212	916,150	1,938,461	2,811,018	3,400,314	4,117,289
Agricultural levies ¹	751,180	748,500	550,797	265,420	423,797	803,085
Sugar levies ¹	101,200	187,100	94,661	77,320	106,722	107,941
<u>DEDUCTIONS FROM STAFF REMUNERATION</u>						
1) Proceeds of taxation	7,433	8,186	10,345	13,234	19,453	25,567
2) Contributions to the pension scheme	4,668	5,478	7,074	8,384	8,799	9,621
<u>OUTTURN</u>						
Common Customs Tariff ¹	582,327	957,316	1,986,256	2,737,643	3,151,023	4,065,317
Agricultural levies ¹	604,500	617,823	411,350	255,007	510,416	1,035,199
Sugar levies ¹	109,271	181,685	98,951	75,050	79,663	128,466
<u>DEDUCTIONS FROM STAFF REMUNERATION</u>						
1) Proceeds of taxation	8,363	9,630	12,515	16,586	19,917	23,409
2) Contributions to the pension scheme	4,701	5,888	7,051	8,237	9,096	9,604

¹ The application of abatement factors means that these amounts do not always represent 100% of the amounts collected.

Source: Commission's reply to Rapporteur's questions - PE 49.702

PAYMENTS 1978

APPENDIX IV

Account taken of letter of amendment

Draft Budget

<u>Title</u>	<u>Payments</u>	<u>%</u>
	EUA	
Agriculture	9,154,112,600	76.55
Social sector	416,202,000	3.48
Regional sector	390,000,000	3.26
Research, Energy, Industry, Transport	259,467,003	2.17
Development cooperation	303,342,000	2.54
Others	p.m.	-
	10,523,123,603	88.00
Staff	384,876,800	3.22
Administration	105,580,200	0.88
Information	9,018,000	0.08
Aids and Subsidies	41,558,100	0.35
	541,033,100	4.52
Contingency reserve	5,000,000	0.04
Refunds to Member States	689,600,000	5.77
Total Commission	11,758,756,703	98.33
Other Institutions	199,759,747	1.67
Grand Total	11,958,516,450	100.-

on the
draft general budget of the
European Communities for the
financial year 1978

Draftsman: Mr MÜLLER-HERMANN

PE 50.000/fin./Ann.

On 20 July 1977 the Committee on Economic and Monetary Affairs appointed Mr MÜLLER-HERMANN draftsman of its opinion.

The committee considered the draft opinion at its meetings of 20 and 21 September, 29 and 30 September and 18 and 19 October 1977.

It adopted the draft opinion unanimously with one abstention on 19 October 1977.

Present: Mr Glinne, Chairman,
Mr Notenboom and Mr Leonardi, vice-chairmen,
Mr Müller-Hermann, draftsman of the opinion
Lord Ardwick, Lord Bruce of Donington, Mrs Dahlerup, Mr Delmotte
(deputizing for Mr Van der Hek), Mr Fletcher-Cooke (deputizing for
Mr Jakobsen), Mr Lange, Mr Van der Mei, Lord Murray of Gravesend
(deputizing for Mr Thornley), Mr Normanton, Mr Nyborg, Mr Ripamonti,
Mr Stetter and Mr Zeyer.

1. The Committee on Economic and Monetary Affairs felt that, instead of simply tabling amendments to those budgetary items for which it is specifically responsible, it ought this year to submit its general conclusions on various aspects of the budget as a whole. The 1978 budget represents a turning-point in the history of the Community's fiscal policy since, for the first time, Community expenditure is to be financed wholly from own resources and the budget is to be drawn up in the new European unit of account. Furthermore, 1978 should be the year in which there are direct elections to the European Parliament.

In the light of its assessment of the draft budget and of the unfortunate, albeit characteristic, attitude taken by the Council, the committee felt that the following aspects of the Community budget merited consideration: its function, the volume and distribution of its funds, and the present lack of consistency in the Council's budgetary policy.

I. FUNCTION OF THE COMMUNITY BUDGET

2. The Council's draft budget has reduced the payment appropriations proposed in the preliminary draft (Section III) by 530 m EUA and the commitment appropriations by 873 m EUA¹. The following few examples are illustrative of the Council's approach:

- commitment appropriations and payment appropriations for the Regional Fund have been cut by 46.9% and 25.7% respectively;
- commitment appropriations for energy, research, industry and transport have been reduced by 57% and payment appropriations by 36%;
- as for expenditure under Chapter 37, for which the committee is more particularly responsible, commitment appropriations have been cut by 98.5% and payment appropriations by 97%².

¹See draft budget, Volume VII, pp. 14 and 15

² " " " " " , pp. 40 and 41

Once again, then, the Council has made reductions on such a massive scale that, to quote Commissioner Tugendhat¹, its 'draft budget foresees an overall freeze in commitment appropriations for non-compulsory expenditure'. Once again, too, the Council has approached the draft budget purely as an accounting exercise. However, to quote Commissioner Tugendhat once again, it is our belief that 'the budget should forecast expenditure, not lag behind as a pure accounting instrument'².

The Committee on Economic and Monetary affairs believes, moreover, that the budget should be the expression of the development of Community action. The controversy over the Community budget is, therefore, not so much a dispute about figures and chapters as the result of a fundamental difference in political attitudes.

3. The Commission's proposals are neither unrealistic nor exaggerated. The budget estimates afford the Community the possibility of expressing its will, which is to build an economic infrastructure such as will guarantee the Community's competitiveness, reduce its balance-of-payments dependence on imported energy, narrow the disparities between the regions and alleviate the effects of unemployment.

Budgetary austerity is usually invoked by the Council as a pretext for blocking any real start to the process of Community integration. Nevertheless, the Commission readily accepted that, in the present economic climate, it had to exercise due restraint in drawing up expenditure requirements. And, indeed, the measures it proposed in the preliminary draft budget are specifically aimed at transferring national projects to the Community, the object being to reduce their cost and facilitate their implementation.

Far from creating additional expenditure, such a policy makes for greater efficiency and hence is a means of securing an overall reduction in expenditure.

The attitude of the Council is disquieting, serving as a pretext for 're-nationalizing' policies, when the principle had already been approved that they should be Community policies.

¹See Report of Proceedings for 13.9.1977, p.36

²See OJ No. 219, Report of Proceedings for 7 July 1977

As we prefer to regard the budget as an economic rather than as a purely accounting instrument, we must make a few additional comments on the volume and distribution of its funds.

II. VOLUME AND DISTRIBUTION OF FUNDS IN THE COMMUNITY BUDGET

4. In 1977, the Community budget represented only 2.15% of the total of the budgets of the Member States and about 0.69% of the Community's GNP. As long as it remains within these limits, and leaving aside its effect on agricultural markets, the Community budget will not have much macro-economic influence on the European economy. It is impossible to imagine why, within these same limits, the Council should have seen fit to cut appropriations so drastically that, apart from activities in the agricultural sector, Community measures will be incapable of fulfilling the role assigned to them, viz. to initiate and stimulate further action.

As a result of the cuts made in the draft budget, the proportion of total budgetary expenditure allocated to agriculture has risen from 74% to 76%. The present distribution of resources is unsatisfactory, since, as both the Commission and the European Parliament have indicated, it is also necessary to remedy the Community's main economic weaknesses by increasing the Regional Fund, payments under the Social Fund and the amount of the industrial policy expenditure set aside to assist with structural adaptations in certain sectors such as the textile and shipbuilding industries, to promote the European computer and aerospace industries and to secure for Europe greater independence in energy. In the light of these requirements, it is irrational to increase agriculture expenditure in the budget at the expense of other complementary sectors. The Community's medium- and long-term requirements as a whole cannot be neglected. It is the view held by public opinion and by the Committee on Economic and Monetary Affairs that the Community's primary task is to determine the requisite long-term measures and to provide for the resources necessary for their implementation.

III. THE LACK OF CONSISTENCY IN THE COUNCIL'S BUDGETARY POLICY

5. The Committee on Economic and Monetary Affairs is entirely in sympathy with the approach taken by the Commission and shares its opinion that, as far as budgetary matters are concerned, the Council has acted in a manner so devious that it can no longer be tolerated. As Mr Simonet pointed out in his speech to the European Parliament on 14 September 1977, there is a plain contradiction between the avowed policy of reviving the national economies, of endeavouring to tackle the problems in a collective, Community spirit and the way in which the European budget is actually used.

For this reason, the European Parliament is entitled to question the sincerity of the Council's decisions and policy statements and to conclude that they do not square with the attitudes implicit in the draft budget¹.

In conclusion, the Committee on Economic and Monetary Affairs:

1. stresses that the Community budget should not only be an accounting instrument but also the necessary expression at the financial level of a political resolve to strengthen and develop the Community;
2. considers that Community expenditure is justified only if, instead of entailing additional public spending, it is used to replace national by Community projects which the Community is in a position to undertake more cheaply and efficiently;
3. deeply regrets, therefore, in view of the modest size of the Community budget, the appropriation cuts made by the Council, as these will have serious consequences, particularly for the development of the regional, industrial and energy policies, while aggravating the imbalance in the distribution of budgetary resources;
4. considers that, as it now stands, the Council's draft budget vitiates its earlier decisions and declarations in favour of Community development;
5. unreservedly supports the Commission and urgently requests the Council to make the policies it advocates more consistent with its budgetary estimates.

¹Ref., for example:

- the Council's support for the establishment of a viable and competitive European computer industry in the 1980s (resolution of 15 July 1974),
- the Council's approval of the conclusions of the 4th medium-term programme (decision of 14 March 1977),
- the need for consistency between decisions on the policies to be pursued and budgetary estimates, as urged by the Heads of State and of Government at the December 1975 meeting in Rome.

Opinion of the Committee on Agriculture

II

on the

draft general budget of the
European Communities for the
financial year 1978

Draftsman: Mr H. KLINKER

On 21 June 1977 the Committee on Agriculture appointed Mr Klinker draftsman.

It considered the draft opinion at its meetings of 20/21 September and 29/30 September 1977 and at the latter meeting adopted it unanimously.

Present: Mr Ligios, vice-chairman and acting chairman;
Mr Klinker, draftsman; Mr Albertini, Mr Bourdellès, Mr Brégégère,
Mr Corrie, Mr Creed, Mr Früh, Mr Hansen, Mr Herbert, Mr Hoffmann,
Mr Howell, Mr Hughes, Mr Kofoed, Mr De Koning, Mr Lemp, Mr Ney,
Mr Scott-Hopkins and Mr Vitale.

I - INTRODUCTION

1. The draft budget adopted by the Council for the 1978 financial year amounts to approximately 11,318.7 m EUA.

Out of this total, EAGGF expenditure under the common agricultural policy amounts to 8,128.5 m EUA for the Guarantee Section (Titles 6 and 7 of the draft budget) and 433.7 m EUA for the Guidance Section (Title 8 of the draft budget).

Revenue from the sugar production levy and the other agricultural levies under the common agricultural policy (see (a) under Article 2 of the Decision of 21 April 1970 on the replacement of financial contributions from Member States by the Communities' own resources¹) is assessed at 1,659.6 m EUA.

2. The common agricultural policy provides the Community with 14.66% of its resources and constitutes 71.81% of its expenditure, under the Guarantee Section. This percentage is reduced to 57.15% if we allow for the revenue mentioned above. The figure is reduced still further if the following factors are taken into account:

- 30 m EUA, or 0.26% of the overall budget, has been allocated to accession compensatory amounts granted in respect of intra-Community trade,
- 959.3 m EUA, or 8.47% of the overall budget, has been entered for monetary compensatory amounts, which reflect the lack of determination by Member States to make progress towards economic and monetary union,
- 640.35 m EUA, or 5.65% of the overall budget, is due to 'dual rates'.

Thus, after deducting all monetary elements, and allowing for revenue produced, the cost of the common agricultural policy, for the Guarantee Section of the EAGGF, amounts to 4,839.25 m EUA, or 42.75% of the Community budget.

The Guidance Section of the EAGGF takes up a mere 3.83% of payment appropriations in the overall Community budget, despite the increase in its appropriations by drawing on the 'Mansholt reserve'.

Since the Mansholt reserve is not inexhaustible, the commitment appropriations for the Guidance Section should be increased considerably, independently of the Guarantee Section, in order to deal with agricultural structures.

¹ OJ No. L 94 of 28.4.1970, page 19

However, projects affecting agricultural structures should not be viewed separately from other structural measures taken within the context of the Social Fund or the Regional Fund. If the structures of a given Community region are to be profoundly and effectively changed, the activities of these three funds, and hence the measures financed by them, must be coordinated. The Guidance Section appropriations must be reserved for improving agricultural structures, with the Regional and Social Funds providing additional resources.

3. Even so, appropriations for the EAGGF Guarantee Section show an increase of about 23.1% over the 1977 figure, while those for the Guidance Section have increased, for the reasons stated above, by 174% compared with 1977 (157.8 m u.a.) and by 33.48% compared with 1976 (324.9 m u.a.) (see Annexes I and II).

4. After these introductory remarks, it may be pointed out that the budget of the Community represents a very small percentage (0.73%) of its gross domestic product (GDP) even though it is constantly growing (it was 0.53% in 1974).

The Community budget is still only 2.36% of total national budgets.

These figures show that the Guarantee Section amounts to 0.31% of Community GDP and, in 1977, 1.09% of total national budgets.

5. Before considering the agricultural budget in detail, we should consider the prime importance of the 1978 financial year, not only for the financial autonomy of the Community, but, even more so, for the strengthening of the European Parliament's budgetary powers. The 1978 financial year will be marked by:

- . the introduction of the European unit of account in accordance with Article 10 of the proposal for a Council Regulation¹ (ECSC, EEC, Euratom) amending the Financial Regulation of 25 April 1973 applicable to the general budget of the European Communities, submitted by the Commission to the Council on 26 May 1976, and with the proposal for a Council regulation (ECSC, EEC, Euratom) on the procedure for applying the European unit of account (EUA) to the legal acts adopted by the institutions of the European Communities²;
- . the application in its entirety of the Decision of 21 April 1970 on the replacement of financial contributions from Member States by the Communities' own resources³, and in particular the release of the 'dynamic brakes' for the six founding Member States in connection with their contributions to financing the Community budget;

¹ OJ No. C 171 of 26.7.1976, page 20

² OJ No. C 271 of 17.11.1976, page 5

³ OJ No. L 94 of 28.4.1970, page 19

- . the financing of Community expenditure entirely from own resources, since the adoption on 17 May 1977 by the Council of the 'Sixth Directive' on the 'harmonization of the laws of the Member States relating to turnover taxes - Common system of value added tax: Uniform basis of assessment'¹;
- . the implementation of the Treaty of 22 July 1975 amending certain financial provisions of the Treaties establishing the European Communities and of the Treaty establishing a single Council and a single Commission of the European Communities, in particular Article 12 amending Article 203 of the EEC Treaty. Under this article,
 - modifications proposed by the Assembly which do not have the effect of increasing the total amount of the expenditure of an institution, in particular where increases in expenditure are compensated by reductions, stand as accepted by the Council if it does not reject them by a qualified majority,
 - proposed modifications which have the effect of increasing the total amount of the expenditure of an institution may be accepted by the Council acting by a qualified majority; in the absence of such a decision, they stand as rejected.

II - EXPENDITURE UNDER THE EAGGF, Guarantee Section

6. The size of the expenditure earmarked for the Guarantee Section of the EAGGF (6,498.9 m EUA) clearly shows that agricultural market support is a Community-level matter. Member States still control the markets in ethyl alcohol of agricultural origin, potatoes, and mutton and lamb, but under the Charmasson judgment of 10 December 1974² these national market organizations were not to continue beyond the transitional period.

7. The increased expenditure on agricultural market support (+ 23.1% by comparison with 1977) is due not only to the usual causes - inflation and the consequential rise in agricultural prices, which affects the financial year following the year in which the decision is taken - but also to individual factors mainly affecting the milk, cereals and sugar sectors; which account for 75% of Guarantee Section expenditure:

- the sharp fall in world prices, particularly in cereals and sugar, which has resulted in increases of 98.1% and 82.4% respectively in the export refunds on these two products;

¹ OJ No. L 145 of 13.6.1977 page 1

² Case 48-74 (Charmasson v. Minister for Economic Affairs and Finance) - request for preliminary ruling by the Conseil d'Etat de France), 'Reports of Cases before the Court' - 1974-8, page 1383.

- the assumption of 'normal' cereals and sugar harvests in the 1977/78 season, whereas the bad weather had substantially reduced the previous two harvests;
- the decisions taken by the Council as a result of its 26 and 27 April 1977 meeting on agricultural prices for the 1977/78 marketing year and related measures;
- attempts to reduce stocks of skimmed milk powder in 1978 and to limit the increase in butter stocks.

8. However, the overall increase in appropriations for the EAGGF Guarantee Section masks wide divergencies, ranging from a reduction of 20.99% in amounts earmarked for the beef and veal sector, to an 80% increase for the fisheries sector. We must therefore consider each sector in turn.

Milk and milk products

9. At 2, 924.2 m EUA, the milk sector alone takes 45% of market support expenditure, and shows a 17.6% increase over 1977.

This increase would have been even greater if, when making its projections, the Commission had not already taken into account the implications of the 1.5% co-responsibility levy, which is one of the measures to restore balance on the milk market. This levy will yield 211.6 m EUA.

However, it is regrettable that the Council did not follow the European Parliament's opinion on the proposal from the Commission to the Council for a regulation on a co-responsibility levy and measures for expanding markets in the milk and milk products sector¹, delivered by Parliament at its sitting of 13 December 1976². Paragraph 15 of the resolution states that the European Parliament is of the opinion that the body of measures designed to encourage the non-marketing of milk, the conversion of dairy cow herds and the eradication of bovine diseases is not sufficiently oriented towards encouraging the voluntary cessation of farming or conversion to other agricultural sectors'. Moreover, positive measures have not yet been introduced to expand markets in the Community and third countries, a policy which has meanwhile been adopted by the Council and was approved by the European Parliament in its opinion (paragraph 8).

Since the Council has been unable to agree on a coherent multiannual policy to reduce milk surpluses and there has been a delay in the introduction by the Commission of sales promotional measures there is a danger of further unnecessary burdens on the budget.

¹ Doc. 364/76

² OJ No. C 6 of 10.1.77. page 13; Doc. 414/76 - rapporteur: Mr. De Koning

The Committee on Agriculture cannot but deplore the fact that the European Parliament's opinions are disregarded. It therefore calls on the Council and the governments of the Member States to take their courage in both hands if they do not wish to see the European Community accused of weakness, lack of resolution and an irresponsible attitude in this matter.

The increase in expenditure for 1978 is due to the Commission's intended policy of rationalizing the milk market by reducing or limiting stocks, by encouraging greater use of skimmed milk in liquid form, by financing measures to encourage the non-marketing of milk and the conversion of dairy herds. It is clear that this increase would not have been as high if, as already mentioned, the Council and Commission had taken Parliament's advice and introduced an effective market adjustment policy in good time.

Cereals

10. The cereals sector takes 19.70% of market support expenditure (an increase of 67.7% over 1977), and totals 1,280.6 m EUA.

This rise, much greater than the average for market support expenditure, is due mainly to the increase in export refunds (1978: 931 m EUA; 1977: 470 m u.a.) because of the fall in world prices, and to the assumption of a Community harvest recovering from the loss of production in 1976 on account of the drought.

Sugar

11. The sugar sector, with 673.3 m EUA, takes 10.36% of agricultural market support expenditure, a rise of 62.6% over 1977.

The fall in world prices and the projected crop (10.44 million tonnes) mean that the refunds will go up to about 180 u.a. as against 60 u.a. in 1976, and will be applied to exports amounting to 2,500,000 tonnes, or double the 1977 figure. Half of these exports, 1,300,000 tonnes, are offset by imports of ACP sugar and account for refunds totalling 234 m EUA, which cannot be charged to the agricultural budget. This accounts for the rise in export refunds, which will reach 465.7 m EUA as against 255 m u.a. for 1977 (+ 82.6%).

Intervention will increase by 30.53% (206.5 m EUA as against 158.2 m u.a. in 1977). This is due mainly to storage costs (194.1 m EUA) and to the measures in respect of the 300,000 tonnes of sugar produced in the French overseas departments and refined in the Community (8.9 m EUA).

Oils and fats

12. At 395.5 m EUA, the oils and fats sector takes 6.09% of market support expenditure. However, expenditure here has fallen by 4.1% by comparison with 1977.

This is a result of the stability of spending on refunds for olive oil, colza, rape and sunflower seed and the decrease in intervention on olive oil, the oil seeds mentioned above and the other oil seeds falling under heading 12.01 of the CCT.

Beef and veal

13. At 391.4 m EUA, the beef and veal sector represents 6.02% of market support expenditure. This amount is 21% less than the 1977 figure. The assumed increase in consumption of 100,000 tonnes to 6.6 m tonnes of meat seems extremely optimistic in view of the general decline in consumption. The draftsman considers that it would be more realistic to speak of stagnation or a slight decline. The balance of 280,000 tonnes for imports, used to justify the decrease in financial requirements, is likewise extremely high, especially since the Community's own production will rise to around 100,000 tonnes as a result of the non-marketing premium and hence the increase in the supply of cows.

The draft budget incorrectly establishes the self-supply rate at 78%: even on the basis of the Commission's estimates it accounts for at least 96%. This example reveals the tentativeness of the Commission's estimates.

The Commission's arguments concerning the need for reduced resources overlook the fact that we have not yet even managed to consolidate the Community beef and veal market on the basis of the intervention system, let alone bring it any nearer to the political target represented by the guide prices.

It therefore seems irresponsible to propose a reduction in appropriations for the beef and veal sector, since this would prolong the unsatisfactory market situation resulting from inadequate market organization.

Tobacco

14. Tobacco takes 237.4 m u.a. or 3.65% of market support expenditure (+ 16.9% by comparison with 1977).

We note a sharp increase in premiums to buyers of tobacco produced in the Community, granted under Article 3 of Regulation (EEC) No. 727/70¹ on the common organization of the market in raw tobacco (223.2 m EUA as opposed to 222.9 m u.a. in 1977: + 18.1%).

¹ OJ No. L 94 of 28.4.1970. page 1

Fruit and vegetables

15. The fruit and vegetables sector, at 153.5 m EUA, takes 2.36% of market support expenditure. Appropriations for this sector are 4% up on 1977. There is a 14.43% increase in appropriations to cover expenditure on financial compensation granted to producer groups for withdrawals under Article 18 of Regulation (EEC) No. 1035/72¹ and for buying-in in the event of serious crises pursuant to Article 19 of that regulation. The Commission estimates that approximately 770,000 tonnes will be withdrawn in 1978.

On the other hand, expenditure in the form of financial compensation for promotion of Community citrus fruit (16.7 m EUA) is 16.5% lower than in 1977. However, this scheme has been growing rapidly for some years (1973 3.4 m u.a.; 1976 15.3 m u.a.), and its extension to cover lemons has raised the quantity involved for 1978 to 280,000 tonnes.

Wine

16. For 1978 the wine sector claims 2.10% of market support expenditure, a figure of 136.2 m EUA. Expenditure on this common market organization is 24.9% up on 1977.

This increase is due mainly to distillation measures taken under Regulation (EEC) No. 816/70², and, in particular, to the lowering of the threshold for preventive distillation. In fact, expenditure on distillation measures shows a rise from 33.7 m u.a. to 64.3 m EUA (+ 90.80%). However, thanks to better management of the market and the search for quality rather than quantity (controlled planting and replanting), expenditure in the wine sector, after reaching a peak in 1976 (172.9 m u.a.) has since fallen (109 m u.a. in 1977). For 1978, the Commission forecasts the distillation of 9.5 million hectolitres, but quantities stored will fall from 27.8 million hectolitres to 18 million hectolitres. This will result in a drop of 5.6% in storage costs.

Pigmeat

17. The pigmeat sector, at 88.5 m EUA, takes 1.36% of market support expenditure. This is 1.6% less than in 1977.

In 1978 the triennial pig cycle is due to enter its downward phase, and stabilization or even a slight decrease in production is forecast.

¹ OJ No. L 118 of 20.5.1972, page 1

² OJ No. L 99 of 5.5.1970, page 1

Export refunds on pigmeat (300,000 tonnes) will be 11.90% up on 1977, while intervention (aid for public and private storage, special market support measures in conjunction with the application of measures to prevent the spread of animal diseases) will be 33% down on the 1977 figures, reflecting the stabilization or slight decrease in production.

Refunds on certain goods obtained by processing agricultural products

18. This sector comprises the products covered by Regulation (EEC) No. 1059/69¹, that is to say products based on cereals, milk, butter, sugar or molasses, and it will take 1.23% of market support expenditure, a total of 80 m EUA. Appropriations for this sector are 66% up on 1977 because of the expected deterioration on the world markets in cereals, sugar and milk, which finally decide the level of refunds to be paid on these products.

Other sectors or products subject to common market organization

19. These sectors (fibre flax, hemp, seeds, hops, silkworms and dehydrated fodder) represent 0.95% of market support expenditure, a total of 61.6 m EUA, 13.2% up on 1977.

- (a) Production of flax and hemp in the Community is lower than consumption. Expenditure is accounted for by aid per hectare (13.2 m EUA) and possibly storage aid (1.8 m EUA). This sector shows an 11% increase over 1977.
- (b) Expenditure in the seed sector has increased from 16 m u.a. to 21 m EUA (+ 31.2%). Aid is given to provide producers with a fair income, and depends on the Community market and the price of seed on external markets.
- (c) Expenditure in the hops sector is stable at present (8 m u.a.), and covers aid per hectare to provide producers with a fair income. The market in hops is threatened with disruption, but the new proposals put by the Commission to the Council should help to stabilize expenditure in this sector.
- (d) The silkworm sector, after expansion in 1963 (143,000 boxes of silk seed) fell to 10,000 boxes in 1972/73. Production for 1977/78 is forecast at 25,000 boxes. Aid, almost all of which goes to Italy, will be 16% higher in 1978 than 1977, with a total of 1.4 m EUA.

¹ OJ No. L 141 of 12.6.1969, page 1

- (e) Expenditure in the dehydrated fodder sector shows an increase of 3.2% (16.2 m EUA as against 15.7 m u.a.). The 1976 drought substantially reduced production. This sector is also liable to be influenced by the price of energy and of competing products (oilcake and cereals).
- (f) Finally, if the Council takes a decision on the matter, the 1978 financial year should see two new common organizations, one for potatoes and the other for mutton and lamb, with possibly a third for ethyl alcohol of agricultural origin.

Rice

20. The rice sector represents 0.51% of market support expenditure, with appropriations amounting to 33.3 m EUA. This is an increase of 58.5% on 1977.

Production, at about 800,000 tonnes, is insufficient to cover consumption, which is about 1,000,000 tonnes. However, as the varieties produced do not coincide with the varieties in demand, the Community has to export part of its production. This year 213,000 tonnes will have to be exported, involving expenditure of 32.3 m u.a. (as against 16.8 m u.a. in 1977). Intervention on rice (production refunds, storage intervention) will remain stable (1 m EUA).

Eggs and poultrymeat

21. This sector, at 25.4 m EUA, takes 0.39% of market support expenditure, an increase of 1.6% over 1977.

Expenditure in this sector is confined to export refunds. Lasting effective stabilization of the internal Community market has therefore not been achieved.

Fisheries

22. At 18 m EUA, fisheries will take only 0.28% of market support expenditure. However, appropriations for this sector are 80% higher than in 1977.

Export refunds will be three times as high as in 1977 (6 m EUA as against 2 m u.a.) because increased exports of species difficult to dispose of on the Community market are to be expected.

Intervention will be 50% up. It takes three forms:

- financial compensation paid to producers' organizations pursuant to Article 11 of Regulation (EEC) No. 100/76¹, and purchases of sardines and anchovies when the situation is critical, pursuant to Article 12 of that regulation;
- private storage aid pursuant to Article 15 of Regulation (EEC) 100/76;
- compensation granted for tunny fish intended for the canning industry pursuant to Article 16 of Regulation (EEC) 100/76).

This expenditure is justified because traditional fishing grounds are subject to restrictions (quotas, herring fishing ban).

Moreover, as the market stands in the Mediterranean region, expenditure must be earmarked for buying-in operations and private storage aid. The same applies to compensation granted to tunny fish producers, for whom no provision was made in previous years.

III EXPENDITURE UNDER THE EAGGF, Guidance Section

23. For the first time since 1973 (see Council Regulation (EEC) No. 2809/73 on aid from the EAGGF, Guidance Section, for 1973²), appropriations available to the EAGGF, Guidance Section, will exceed the ceiling of 325 m u.a. set down, by drawing on the 'Mansholt reserve'. Commitment appropriations for structural measures under Title 8 of the draft budget amount to 483.7 m EUA, while payment appropriations for the 1978 financial year have been fixed at 433.7 m EUA. The Mansholt reserve is thus reduced to 422.4 m u.a.

24. Expenditure under the Guidance Section is 174.8% higher than in 1977. A general increase in expenditure on individual projects, common measures (other than those relating to the marketing and processing of agricultural products) and special measures is accompanied by considerable changes in the structure of payment appropriations as compared with payments made in 1976.

An analysis of individual projects, common measures and special measures is called for.

¹ OJ No. L 20 of 28.1.1976, p. 1

² OJ No. L 290 of 17.10.1973, p. 1

Individual projects

25. These individual projects were financed by that part of the 325 m u.a. not used to finance common measures. As commitment appropriations for 1978 exceed the ceiling of 325 m u.a., no new commitment is planned for this item. Payment appropriations for current projects are assessed at 26 m EUA for 1978, 40 m EUA for 1979 and 91.2 m EUA for 1980 and subsequent financial years.

Common measures

26. Common measures for the reform of agricultural structures, on the basis of Directives 72/159/EEC¹, 72/160/EEC², 72/161/EEC³ and 75/268/EEC⁴ represent 37.81% of payment appropriations for the Guidance Section for 1978 and 33.90% of commitment appropriations.

The substantial increase in expenditure on common measures (+ 66.8%) is to be welcomed, as improvements in agricultural structures, the vocational training of farmers and aid to mountain and hill farming and hill farming in certain less-favoured areas are essential to the improvement of agricultural incomes.

These measures should also make for a closer relationship between the ends and the means of the common agricultural policy. Indeed, 95% of market support policy is financed by the EAGGF, while 92% of structural policy is borne by Member States' own budgets.

If it is considered that the EAGGF finances at least 25% of these common measures, it is clear that money spent involves Member States in expenditure of some three times as much again. The Community has therefore taken a step in the direction advocated by the Committee on Agriculture and the European Parliament for a long time, that is towards the achievement of balance between expenditure on the Guarantee and the Guidance Sections of the EAGGF.

For example, appropriations to finance the aims of Directive 73/131/EEC⁵ should lend credibility to the Community's will to take action against milk surpluses while helping assure its self-supply in beef and veal.

¹ OJ No. L 96 of 23.4.1972, p.1

² OJ No. L 96 of 23.4.1972, p.9

³ OJ No. L 96 of 23.4.1972, p.15

⁴ OJ No. L 128 of 19.5.1975, p.1

⁵ OJ No. L 153 of 9.6.1973, p.24

27. Common measures concerning the marketing and processing of agricultural products show a decrease of 10% in payment appropriations by comparison with 1978 (8.1 m EUA for 1978). Even so, in comparison with expenditure in 1976 (1.8 m u.a. appropriations for common measures have quadrupled.

The largest increase is under the item relating to producer groups and associations thereof, the aim of which is to stabilize agricultural markets by centralization of supply and joint adaptation to market requirements (see Doc. 156/77).

On the other hand, common measures to aid hop producer groups will be coming to an end in 1978. No appropriations have therefore been entered for 1978.

Appropriations for common measures to improve the conditions under which agricultural products are processed and marketed, although 50% below 1977, are still quite substantial (4 m EUA) and form part of commitment appropriations amounting to 80 m EUA.

These measures are important in the search for new outlets, and will have the effect of reducing expenditure on intervention.

Finally, common measures should be taken to aid potato producer groups if the Council adopts the Commission's proposal, on which the European Parliament delivered a favourable opinion¹, for a regulation on the common organization of the potato market.

28. Common measures in particular sectors have been allocated 33 m EUA for 1977 and 185.3 m EUA for 1978 in commitment appropriations. Payment appropriations for these measures amount to 213.3 m EUA for 1978 (49.18% of Guidance Section expenditure for 1978). They are 7.2 times higher than in 1977, due to increased expenditure in the wine sector, measures to eradicate disease in cattle and above all in the milk sector. However, the situation varies considerably between the sectors in question:

- (a) in the fisheries sector, it is questionable whether the modest resources deployed are adequate to carry out Community policy. Commitment appropriations for conversion in non-industrial inshore fishing amount to only 5 m EUA, and this is to be entered in Chapter 100. However, no appropriations have been entered for conversion in deep-sea fishing, while these common measures were to be dealt with in a Commission proposal to the Council on the basis of the statement contained in the minutes of the Council meeting of 5 and 6 December 1972, that is, five years ago;

¹ OJ No. C 238 of 11.10.1976 p.31

- (b) in the beef and veal sector, appropriations of 13.2 m EUA have been earmarked to promote beef and veal production. This is very welcome;
- (c) it is to be regretted that the appropriations proposed by the Commission (3.5 m EUA) for the reorganization of horticultural production under glass have been deleted by the Council. This raises the question once again of the Council's political responsibility and goes against the principle that agricultural production should be primarily dictated by the natural conditions of the area in question, as a means of keeping production costs to a minimum. In the same way, the appropriations for the reorganization of fruit production (4.2 m EUA) should make possible the reduction of surpluses, as 15,500 hectares of apple and pear trees can thus be grubbed;
- (d) in the wine sector, payment appropriations, at 33 m EUA, are four times as high as the 1977 figure of 8 m u.a., and are intended to be used for a conversion premium pursuant to Regulation No. 1163/76¹. By encouraging the grubbing of vines the Community can expect to reduce surpluses and reduce recourse to distillation, which is expensive for the Community and unsatisfactory for growers;
- (e) in the milk sector appropriations of 123.9 m u.a. have been entered, corresponding to 2.85% of Guidance Section expenditure. Out of this total, 123.9 m EUA has been earmarked for premiums for the non-marketing of milk and the conversion of dairy herds. These vigorous measures in the milk sector can be expected to make an effective contribution to reducing surpluses;
- (f) finally, appropriations of 39 m EUA have been earmarked for Community measures to eradicate brucellosis, tuberculosis and leucosis in cattle. The improvement in the quality of Community livestock can only be to the advantage of Community stockbreeders.

Special measures

29. For 1978, special measures have been laid down for the citrus sector alone. An appropriation of 22.3 m EUA (5.14% of Guidance Section expenditure) has been entered for these products (48.66% up on 1977). The operation comprises short-term measures aimed at improving the marketing of citrus fruit on the Community's import markets and medium-term measures aimed at improving the pattern of varieties products, at adapting the presentation of the products to marketing conditions on the Community's import markets and improving technical processing. Italy is the chief beneficiary.

¹ OJ No. L 135 of 24.5.1976, p.34

IV - OTHER EXPENDITURE

30. There are certain categories of expenditure which, although not falling within Titles 6, 7 or 8 of the draft general budget, are nevertheless connected directly or indirectly with the Common Agricultural Policy. We would quote:

- Article 264 Survey on the earnings of permanent workers employed in agriculture in 1978: 0.25 m EUA
- Article 264 Surveys on cattle numbers and slaughterings in the nine Member States: annual survey: 1.8 m EUA; six-monthly survey: 1.2 m EUA
- Article 264 Survey on sheep numbers and slaughterings in the nine Member States: 0.5 m EUA
- Article 264 Survey on fruit tree plantations (2nd stage): 0.88 m EUA
- Item 2980 Implementation of the 1971 International Wheat Agreement: 0.2 m EUA
- Item 2983 Implementation of the International Coffee Agreement: 0.065 m EUA
- Item 2985 Implementation of the International Cocoa Agreement: 0.022 m EUA
- Article 310 Community action in campaigns against epidemics to which the livestock of Member States may be exposed: 2.948 m EUA
- Article 311 Application of Council directives in veterinary matters: 0.133 m EUA
- Article 312 EEC participation in measures concerning the marketing of seedlings and seeds: 0.141 m EUA
- Article 313 Farm accountancy data network: 1.54 m EUA
- Article 314 Agricultural research: 2.99 m EUA
- Article 315 Training of national officials responsible for monitoring EAGGF expenditure: 0.11 m EUA
- Article 316 Community action relating to the vocational training of farmers (CEPFAR): 0.05 m EUA
- Article 920 Food aid in cereals: 85.36 m EUA
- Article 921 Food aid in milk products: 314.17 m EUA
- Article 922 Food aid in sugar: 1.95 m EUA
- Article 940 Expenditure resulting from the Agreement between the EEC and UNRWA: 3.291 m EUA

31. All this related expenditure is vital, whether it be for implementation of the Common Agricultural Policy (training of national officials responsible for monitoring EAGGF expenditure), or for improving efficiency (agricultural research, vocational training of farmers), or with the aim of preparing decisions (surveys) or for humanitarian purposes (food aid, agreements between the EEC and UNRWA).

With this in mind, the following comments may be made:

32. Among this expenditure we note Article 310, covering campaigns against epidemics to which the livestock of Member States may be exposed, the appropriation for which is ten times higher than in 1977 (2.948 m EUA as against 0.207 m u.a.), as a result of Council Decision No. 77/97/EEC of 21 December 1976¹ to establish a Fund for action in the event of outbreaks of epizootic disease. This campaign, both inside and outside the Community, will allow the latter to maintain the quality of its livestock.

33. Expenditure on CEPFAR (European Training and Promotion Centre for Farming and Rural Life) is again rather low this year (0.05 m EUA). However, during 1976, the European Parliament, exercising its right of amendment, raised the appropriation for CEPFAR to 0.1 m u.a. (as against 0.04 m u.a. initially entered in the 1977 draft budget). Unfortunately, once again the opinions of the European Parliament have been disregarded in the establishment of the draft budget. This modest amount (0.1 m u.a.) is, however, a minimum if CEPFAR is to do its job.

34. Finally, the expenditure on food aid will allow deliveries to developing countries of 720,500 tonnes of cereals (1977: 720,500 tonnes), 150,000 tonnes of milk powder (1977: 105,000 tonnes), 45,000 tonnes of butteroil (1977: the same) and 6,153 tonnes of sugar (1977: 6,100 tonnes).

It is regretted that the Council has not endorsed the Commission's entry in the preliminary draft budget of appropriations for the supply of 1,135,000 tonnes of cereals and 10,000 tonnes of sugar. The Community will not therefore be fulfilling its promise to increase substantially its aid to the developing countries. We should further consider whether it might not be advisable to make available appropriations for the export of 200,000 tonnes of milk powder, as the developing countries' reported requirements in 1976 came to 201,195 tonnes², and the world economic and demographic situation has hardly changed enough to reduce current needs below this figure.

¹ OJ No. L 26 of 31.1.1977

² Doc. 183/76

V - AGRI-MONETARY EXPENDITURE

35. The Committee on Agriculture endorses the spirit in which the draft general budget for the financial year 1978 is presented, demonstrating the true cost of the common agricultural policy, by separating purely agricultural expenditure from agri-monetary expenditure.

However, as this expenditure is included in Title 7, it is liable to be included in calculations of the cost of the EAGGF, Guarantee Section.

36. The Committee on Agriculture therefore thinks it preferable to remove agri-monetary expenditure entirely from the EAGGF, Guarantee Section, for the following reasons:

- accession compensatory amounts (0.30 m EUA) are a leftover from the adjustment of agricultural prices which had to be made in the three new Member States to prices prevailing in the six founder Member States,
- monetary compensatory amounts (959.3 m EUA) reflect the Council's failure to take effective measures to harmonize economic developments in the individual Member States,
- the burden of the different exchange rates (640.35m EUA) is necessary purely for accounting reasons, as a result of a difference between the representative rate for a currency and the rate of the EUA expressed in the same currency.

VI - CONCLUSIONS

37. The 1978 draft budget is 17.8% higher than that for 1977, which, after allowing for average inflation of 10% in Member States, represents a true increase in expenditure of about 7.8%.

Given the reductions which have been made, the increase in appropriations can by no means be considered excessive in view of the difficult tasks which the Community has still to accomplish, if only as a result of the lack of coherence between the national economic policies. The 1978 draft budget cannot be seen as sponsoring a great number of new measures to reflect increased Community responsibilities.

38. This is particularly evident in respect of agriculture, if we consider the fisheries policy or food aid.

The slight increase in expenditure can be taken to reflect the political will of the Community to reduce surpluses, especially in the milk and wine sectors, but it can also be seen as a failure by the Council to decide on new projects such as the establishment of the common organization of the markets in potatoes, mutton and lamb, and alcohol.

The Committee on Agriculture calls for a comparison over several years between milk sector expenditure required

- (a) for effective adaptation measures designed to eliminate structural imbalance, and
- (b) for continued financing of the disposal of any surpluses failing recourse to the structural measures now being introduced.

The Committee on Agriculture cannot accept the estimates submitted for 1978 for the development of the beef and veal market. It considers that the budgetary estimate for this sector should be increased to counteract unfavourable market developments.

It is also doubtful whether the Community is really allowing itself the resources necessary to carry out its political aims in respect of a common fisheries policy - which is one of the present Commission's priorities. In fact, the lack of a decision by the Council on the formulation of internal fishery arrangements has kept expenditure under the Guarantee Section relatively low, even though it is 80% up on 1977 (18 m EUA). But the time will come when the surveillance performed by Member States on behalf of the Commission in the Community fisheries zone will have to be defined, and the expenditure incurred by Member States on this surveillance will have to be refunded.

39. The increase for the Guidance Section is much more pronounced (+ 174.8%) but it should not be forgotten that expenditure in 1977 was relatively small (157.8 m u.a.).

We welcome the recourse to the Mansholt reserve which raised commitment appropriations for 1978 to 483.7 m EUA and payment appropriations to 433.7 m EUA.

This action demonstrates the Commission's desire to give the Community the resources necessary to attain its political objectives.

Although, compared with national aid (which is of the order of 9,000 m u.a.¹), the sums involved are relatively modest, they will generate national aid approximately three times as large, which they will help to channel towards Community objectives.

Thus the increase in appropriations for milk demonstrates the Community's intention to take vigorous action against milk surpluses, and these structural measures should be seen in conjunction with the co-responsibility levy.

However, it is perhaps regrettable that expenditure on fisheries is so low. Appropriations should have been entered to give the Community suitable means of surveillance over the Community fisheries zone.

40. The imbalance between Guidance and Guarantee Section expenditure (a ratio of 1:15) shows that there will have to be a progressive transfer of responsibility here from national to Community level, to obtain a proper relationship between market support policy and structural policy.

Pending this transfer of responsibilities, the effectiveness of this aid in achieving the objectives of the common agricultural policy, and above all its compatibility with the aims it is supposed to serve, should be assessed.

To avoid just such a situation, where national or regional aid conflicts with the objectives of the common agricultural policy, the Commission must make full use of the legal instruments provided by the Treaty to influence such aid as far as possible.

The Commission should complete the establishment of a framework for agricultural aids, mentioned in its stocktaking of the common agricultural policy, and should provide officials of national or regional authorities with specific criteria, pursuant to Article 93 (1) of the Treaty, by which they can judge more effectively the compatibility of their proposed aid with the objectives of the common agricultural policy.

Moreover, Articles 92 and 93 of the Treaty provide the necessary basis for the Commission to deliver a negative opinion on aid which is incompatible with the objectives of the common agricultural policy, since in most cases national or regional aids affect trade and distort competition within the meaning of Article 92 of the Treaty.

41. The Committee on Agriculture, echoing the Committee on Budgets², regrets that no reserve had been set aside under Chapter 100 to allow for

¹ See opinion of the Committee on Agriculture on the draft general budget of the European Communities for the financial year 1977 (Doc. 363/76) - rapporteur: Mr GIBBONS

² Doc. 202/77 - rapporteur: Lord Bruce of Donington

the decisions on agricultural prices to be taken by the Council in the spring of 1978. In fact, recourse to supplementary budgets is 'contrary to the spirit of the Treaties laying down the budgetary powers of the European Parliament' (see paragraph 2 of the motion for a resolution in this document).

The Committee on Agriculture also feels that Titles 6 and 7 of the 1978 budget should be made more flexible to take account of unforeseeable natural fluctuations in agricultural production. It therefore requests that all the intervention appropriations be halved and that the appropriations thereby released (approximately 20% of allocations to the EAGGF, Guarantee Section) be entered under Chapter 100 as a reserve.

42. Finally, agri-monetary expenditure should definitely be removed from the appropriations for the EAGGF, Guarantee Section, both to give a clear picture of the cost of the common agricultural policy and to underline the Council's responsibility for the implementation of economic and monetary union, without which it will become increasingly difficult to maintain the common agricultural policy.

ANNEX I

EXPENDITURE UNDER THE EAGGF, Guarantee Section

Chapter	Products	1978 in m EUA	% of expend- iture for 1978	1977 in m EUA	% of expend- iture for 1977	% varia- tion in expendit- ure for 1978/1977
62	Milk and milk products	2,924.2	45.00	2,484.9	47.08	+ 17.6
60	Cereals	1,280.6	19.70	763.3	14.46	+ 67.7
64	Sugar	673.3	10.36	414.0	7.84	+ 62.6
63	Oils and fats	395.5	6.09	412.6	7.82	- 4.1
65	Beef and veal	391.4	6.02	495.4	9.39	- 21
70	Tobacco	237.4	3.65	203.0	3.85	+ 16.9
68	Fruit and vegetables	153.5	2.36	147.5	2.79	+ 4
69	Wine	136.2	2.10	109.0	2.07	+ 24.9
66	Pigmeat	88.5	1.36	90.0	1.70	- 1.6
74	Refunds on cer- tain good obt- ained by proc- essing agricult- ural products	80.0	1.23	48.0	0.91	+ 66
73	Other sectors or products subject to com- mon market or- ganization	61.6	0.95	54.4	1.03	+ 13.2
61	Rice	33.3	0.51	21.0	0.40	+ 58.5
67	Eggs and poultrymeat	25.4	0.39	25.0	0.47	+ 1.6
71	Fisheries	18.0	0.28	10.0	0.19	+ 80.0
	TOTAL	6,498.9	100.00	5,278.1	100.00	+ 23.1

ANNEX II

PAYMENT APPROPRIATIONS UNDER THE EAGGF, Guidance Section

TITLE	1978 (in m EUA)	1977 (in m U.A)	% var- iation 1978/77	expenditure in 1976 (in m U.A.
Projects to improve agricultural structures within the meaning of Article 13 of Regulation (EEC) No. 17/64/EEC	26 (6%)	6 (3.80%)	+ 333	235.47 (72.46%)
Joint measures in the context of reorganizing agricultural structure (following the Council resolution of 25 May 1971)	164 (37.81%)	98.3 (62.29%)	+ 66.8	49.31 (15.17%)
Joint measures in the context of marketing and processing agricultural products (following the Council resolution of 25 May 1971)	8.1 (1.87%)	9 (5.70%)	- 10	1.8 (0.55%)
Joint measures in spec- ific sectors:	213.3 (49.18%)	29.5 (18.70%)	+ 623	32.3 (9.94%)
. Fisheries	token entry	5	- 100	0.6
. Beef and veal	13.2	11	+ 20	26.5
. Fruit and vegetables	4.2	5.5	- 23.6	-
. Production structure	-	-	-	5.2
. Wine	33	8	+ 312.5	-
. Milk	123.9	token entry	-	-
. Elimination of brucel- losis, tuberculosis and leucosis in cattle	39	-	-	-
Special measures:	22.3 (5.14%)	15 (9.51%)	+ 48.6	6.11 (1.88%)
. Associations of fruit and vegetable producers	-	-	-	2
. Premiums for slaughter- ing and the non-market- ing of milk	-	-	-	2
. Premium for grubbing up fruit trees	-	-	-	0.19
. Improvement in the citrus fruit sector	22.3	15	+ 48.6	1.78
. Producers' associations in the fisheries sector	-	-	-	0.14
TOTAL	433.7	157.8	+ 174.8	324.99

Opinion of the Committee on Regional Policy,
Regional Planning and Transport

III

on the
draft general budget of the European
Communities
for the financial year 1978

in particular Chapter 55

European Regional Development Fund

Rapporteur: Mr DELMOTTE

On 21 June 1977 the Committee on Regional Policy, Regional Planning and Transport appointed Mr Delmotte draftsman.

At its meeting of 21 September and 27/28 September it discussed the draft opinion and at the later meeting adopted it unanimously with one abstention.

Present : Mr Evans, chairman; Mr Nyborg, vice-chairman; Mr McDonald, vice-chairman; Mr Delmotte, draftsman; Mr Albers, Mr Brown (deputizing for Mr Kavanagh), Mr Ellis, Mr Fuchs, Mr Giraud, Mr Hoffmann, Mrs Kellett-Bowman, Mr Lezzi (deputizing for Mr Zagari), Mr Mascagni, Mr W. Müller (deputizing for Mr Haase), Mr Noè, Mr Osborn and Mr Seefeld.

1. It has been the aim of the Member States of the European Communities to build a Community which is something more than a mere free-trade area, i.e. a Community with common policies that allow it to compensate for certain drawbacks of free trade, in particular by preventing rich areas becoming relatively richer while poor areas became relatively poorer.

The market economy takes as its starting point, comparable economic levels allowing the free play of competitive forces. When it is realized that the GDP of the richest region in the Community is six times higher than that of the poorest, and that this gap is growing, it is clear that certain economic imbalances must be reduced.

In one of its Annexes, the Treaty of Rome makes specific references to the situation in Southern Italy. The signatories to the Treaty were therefore aware of the importance of these economic imbalances. Since then, Ireland and the United Kingdom did not accede to the European Communities until they had been given assurances that an active Community Regional policy would be pursued.

2. Can we now compromise this policy by reducing its already small financial resources?

Would public opinion in the countries expecting an active Community regional policy be prepared to accept such a sacrifice?

Might this sense of disappointment not prove the final blow to the prospects of success of direct elections, which will depend on a large turnout by the public?

Finally, the prospective new Member States of the Community will be unable to tolerate the constraints it imposes unless a substantial Community regional policy allows them to become economically competitive.

In these circumstances, can we stand by while the Council drastically cuts the funds required to pursue the Community regional policy? The figure proposed by the Council (398m EUA) is much lower than the 1976 or 1977 figure of 500m u.a. which was itself well below the Commission's initial proposals (1,000m u.a. for 1976):

3. It should be emphasized that the amounts for the first three years' operation of the European Regional Development Fund do not constitute a good basis for comparisons, as this was an initial period and demonstrated the need for greater resources.

Above all, there was rapid inflation over this period, so that any figures for past years must be updated before any comparisons are made.

4. With the support of the European Parliament the Commission, in July 1973, initially proposed that 2,250m u.a. should be made available for the European Regional Development Fund over three years, 500m u.a. for 1974, 750 for 1975 and 1,000m u.a. for 1976.

The implementation of a Community regional policy was one of the priority aims set for the Community by the meeting of Heads of State or Government in Paris in October 1972. They instructed the Community institutions to set up a regional development fund, which was to be established by 31 December 1973. The Council was unable to reach a decision in time.

In 1974, the Commission entered 650m u.a. in the preliminary draft Community budget for 1975 for the first year of the Fund's operation.

The discussions within the Council regarding the amount to be allocated to the fund and its distribution again prevented the Council from taking a decision on the establishment of the fund in 1974.

The Paris Summit in December 1974 decided on the sum of 1,300m u.a. for the first three years (300 for 1975 and 500 for each of the two subsequent years).

The European Parliament considered that the Fund should be set up as soon as possible and therefore accepted this sum as an initial appropriation.

But the fund is now far more active, and a good index for this increase would be the 1,000m u.a. as proposed in 1973 by the Commission for 1976.

5. However, figures for previous years must be updated to allow for the high rate of inflation in Member States over the last few years before they can be used as a basis for comparison.

Point 19 of the first annual report on the European Regional Development Fund 1975, published by the Commission, reads: '19. Moreover, as far as the Fund is concerned, rapid inflation is continuously eroding the real value of its resources, which as nominal million u.a. amounts were determined in advance, in December 1974, for the three-year period 1975-1977. Thus, for example, the 500 million of u.a. fixed in 1974 for the Fund's 1977 commitment appropriations would need to be 750 million u.a. to have the same real value in 1977.'

Of course, this report, drawn up in early 1976, does not allow for inflation in 1977, which would give an even higher figure than 750m u.a.

6. We must also stress the importance of the distinction between commitment appropriations and payment appropriations. Appropriations not paid during the reference year will be paid in subsequent years. Their real

value will thus be considerably reduced by inflation in such subsequent years.

7. A working document drawn up by the Commission's Directorate-General for Regional Policy has established that the 500m u.a. for 1977 is in fact equivalent to 423.16m EUA (new unit of account).

To allow for inflation since the date when the sum was fixed (the Summit in late 1974), 643.52m EUA would be needed in 1978.

This sum is close to that proposed by the Commission for the proportion of the ERDF subject to fixed allocations in 1978: 650m EUA. The non-allocated 100m EUA is for new schemes.

8. However, as we noted earlier, in 1973 the ERDF was originally to be allocated 1,000m u.a. for 1976. If we disregard any increase in 1977, this is exactly double the figure in the 1977 budget. But if we take inflation into account, the 1978 equivalent would be 1,287.04 EUA (643.52m EUA x 2).

We have come a long way from the Commission proposals for 1978.

9. Thus, if we wish merely to maintain the true value of the figures set by the 1974 Summit and by the Council in the regulation establishing the fund, we must take the Commission proposal that appears in the preliminary draft budget, 750m EUA.

But if we take the view that the amounts fixed by the Council for the first three years were initial allocations, set very low to allow the ERDF to be established, they must now be increased. The figure for 1978 should be around 1,200 - 1,300 EUA.

To be realistic, the sum of 900-1,000 EUA would be acceptable.

10. But the Council has now drastically cut the amount proposed by the Commission to 398m EUA.

This figure is absolutely unacceptable as it is less than the appropriations, for 1976 and 1977, even without allowing for inflation (423.16m EUA).

11. The best solution would, at the first reading, seem to be to recommend the Council to reinstate 650 + 100m EUA on the draft budget, in Chapter 55, of course, and not in Chapter 100 (Provisional Appropriations).

12. In the General Introduction to the Preliminary Draft of the General Budget of the European Communities for the financial year 1978, the Commission justifies the figure it proposes (volume 7, section III)

- ' To the Commission the Community Budget is the necessary financial expression of the political will to strengthen and develop the Community '
- ' An increase in the budget must be accepted if it is the reflection of Community measures which ... are vital to the preservation and development of a strong Community' (page 17)
- ' The Commission considers, however, that the main thrust of the 1978 Budget should bear upon a balanced series of Community measures designed to tackle the problems of unemployment and structural changes currently affecting the Community. '
- ' The Regional Fund, which is directly concerned with the problem of structural imbalance, is of special importance this year ... '
- ' Since growing importance has been attached to the Fund in recent years and since, to offset inflation, the level of activity originally envisaged for the Fund must be made up in real terms, the Commission considers that a substantial increase is necessary ... ' (page 18)
- ' In the Fund's first two years of operation, all the appropriations for commitment allocated to it (a total of 800 million u.a.) were in fact used up by the Member States. Indeed, applications exceeded the total amount of appropriations for commitment available and a good many useful projects submitted to the Fund by the Member States could have been financed by it if the necessary resources had been entered in the budget. This happened in spite of the curbs on public investment imposed in recent years by the Member States receiving most assistance from the Fund and in spite of the slowdown in investment activity forecast for the Community as a whole. '
- (page 66)
- ' Experience of the Fund's two years of operation has shown that, in spite of the greater efforts deployed by the Member States and by the Community with a view to speeding up the development of the least-favoured regions, no fundamental change has been achieved. Combined efforts in this field must, therefore, be pursued and stepped up. The slower growth rates recorded in the Member States since 1973 as a result of the economic crisis have aggravated the problems which the weakest regions have to contend with, and the persistent nature of the regional imbalances indeed constitutes a threat to the smooth functioning of the Common Market. The convergence of Member States' economies will remain wishful thinking as long as regional imbalances continue to impose such a heavy

burden on the economies of some Member States. Under the circumstances, the Community's regional policy must be strengthened and its scope of application extended. This is not only desirable but has become one of the basic prerequisites for the pursuit of European economic integration.

The Community's regional policy has two major objectives: firstly to reduce existing regional imbalances, which are a feature of both traditionally less-developed regions and regions adversely affected by the gradual establishment of the Common Market; secondly, to prevent fresh regional imbalances that may arise as a result of changes in international economic structures or policy measures adopted by the Community. The pursuit of these objectives is an integral part of a vigorous employment policy.' (page 68)

' In view of the foregoing considerations, it is proposed that appropriations for commitment amounting to 750 million EUA be entered in the 1978 Budget. It is important, first of all, to maintain the operational value of the Fund's appropriations by allocating to it sufficient funds to back up, within the context of a generalized increase in costs, the public spending programmes launched in the Member States to reduce regional imbalances.'

(page 70)

13. It should be remembered that the Fund Regulation provides for the granting of Fund aid to be conditional on the preparation of regional development programmes.

These programmes, which will cover periods of varying length, must be assured of receiving Community aid for several years.

In the 'Triennial financial estimates' accompanying the Draft Budget for 1978, the Commission presents its estimates of expenditure for 1978-1980¹.

But the Council seems to have rejected any forward-looking picture of the desirable development of the Regional Fund in the medium term.

A policy on the scale of the regional policy must not be restricted by an annual financial framework. Multi-annual allocations must be decided on the basis of an inter-institutional debate, the target financial statements drawn up by the Commission.

The Heads of State or Government saw the need to fix the financial volume of the Fund for several years, as they envisaged allocations over three years.

In its latest resolution², the European Parliament drew attention to the need for the Fund to be established over a sufficiently lengthy period to allow large-scale, medium and long-term investment,

¹1979: 1,000 m EUA; 1980: 1,250 M EUA

²on 'Certain aspects of Community regional policy to be developed in the future', OJ No. C 118, 16.5.1977

(paragraph 27). The European Parliament also considered that 'the multi-annual financial endowment of the Regional Fund should be based on a political commitment undertaken by the Council in agreement with Parliament'. (Paragraph 28).

14. To be effective, the monitoring of the regional development programmes, which are the justification and basis for operations financed by the Fund from 1978 onward, requires an increase in the staff of the Directorate-General for Regional Policy.

Moreover, the Commission put forward, in its 'guidelines for community regional policy' (Doc 183/77) objectives related to the European Parliament's proposals. The creation of an overall framework for policy formulation and analysis, assessment of the regional impact of the Community policies and coordination of national regional policies, also calls for an increase in the staff of the Directorate-General responsible for regional policy.

15. One vital question must first be settled with the Council. Some national delegations favour a simple token entry in the budget against the Chapter 'European Regional Development Fund', or simply a reserve sum against Article 100, taking the view that the legislative act creating the Fund has not yet been adopted.

The Fund set up in 1975 is not of limited duration. It is simply to be reviewed in the light of experience. This review can, moreover, be carried out annually with the report on the Fund's activities.

If no decision on the review of the Fund Regulation has been taken by the Council before 1 January 1978, the Fund remains in existence. Only the endowment has to be fixed through the normal budgetary procedure. In fact only part of Article 2 of the Fund Regulation fixing the endowment for three years is subject to a time-limit.

16. As regards the transport sector, the inclusion of a token entry in Article 373 (Financial Operations in Transport Infrastructure Projects) seems to be satisfactory in so far as the Council has not yet taken a decision.

17. Conclusions to be included in the motion for a resolution

(a) recalls that the Heads of State or of Government meeting in Paris in October 1972 attributed a 'high priority' to the implementation of a Community regional policy and called upon 'the Community Institutions to set up a regional development fund',

- (b) stresses that the Fund set up in March 1975 is definitive in principle, whatever the results of the 'review' of the basic Regulation to be carried out before 1 January 1978,
- (c) believes, therefore, that the budget should now fix the endowment of the Fund for 1978, in Chapter 55 and not in Chapter 100 (Provisional Appropriations),
- (d) points out that the endowments for 1976 (500m u.a.) and 1977 (500m u.a.) are considered as starting-up funds well below the Commission's initial proposals (1000m u.a.) which were supported by the European Parliament,
- (e) believes it essential that the sums fixed at the end of 1974 by the Paris Summit be brought up to date to take account of subsequent inflation if they are to be used as points of reference,
- (f) believes that the weightings to be applied for each country are determined by the national quotas laid down in the Fund Regulation,
- (g) concludes therefore that the amount of 500m u.a. for 1977, which represents 423m EUA, should be increased to 643.5m EUA to take account of inflation,
- (h) notes that this last figure is in line with the Commission's proposal for continuing measures in the quota section,
- (i) considers that the endowment of 100m EUA proposed by the Commission for the specific actions represents a normal development of the Fund's activities,
- (j) urges the Council to review its proposal which, even without indexing, is far below the 1976 and 1977 endowments fixed by the 1974 Summit and cannot therefore constitute a reasonable basis for discussion.
- (k) recalls the need to forecast the future financial volume of the Fund and that its multiannual financial endowment should be based on a political commitment undertaken by the Council in agreement with Parliament',
- (l) stresses that the growth in the number of tasks performed by the Commission in the field of regional policy, especially the monitoring of the regional development programmes, which will be obligatory with effect from 1 January 1978, requires an increase in the staff of the Directorate-General for Regional Policy.
- (m) regards the existence of regional development programmes as an indispensable condition for the intervention of the Regional Fund;
- (n) considers it essential for the Commission to subject projects which have received aid from the Regional Fund to a posteriori control to assess their effectiveness.

Opinion of the Committee on Energy and Research IV

on

those parts of the Draft General Budget
of the European Communities for the
financial year 1978 which fall within
the Committee's terms of reference

Draftsman: Mr P.C.A. KRIEG

On 11 July 1977 the Committee on Energy and Research appointed Mr Krieg draftsman.

It considered the draft opinion at its meetings of 12 July 1977, 12 September 1977 and 28 September 1977 and adopted it unanimously on 28 September 1977.

Present: Mrs Walz, Chairman; Mr Flämig, Vice-Chairman, Mr Normanton, Vice-Chairman; Mr Veronesi, Vice Chairman, Lord Bessborough, Mr Brown, Mr Edwards, Mr Ellis, Mr Fuchs, Mr Giraud, Mr Holst, Mr Jensen, Mr Noe', Mr Osborn, Mr Verhaegen, Mr Zeyer, Mr Zywiets.

C O N T E N T S

	<u>Page</u>
SECTION I	
Introduction	36
SECTION II	
Priorities	36
SECTION III	
Chapter 26 - Expenditure on studies, surveys and consultations	37
SECTION IV	
Chapter 32 - Expenditure under the Energy policy	38
SECTION V	
Chapter 33 - Expenditure on Research and Investment ...	41
SECTION VI	
Chapter 34 - Expenditure relating to safeguards	52
SECTION VII	
Chapter 36 - Expenditure on scientific and technical information and on information management	53
SECTION IX	
Chapter 39 - Other expenditure on specific projects undertaken by the Institution	56

SECTION I

INTRODUCTION

1. Three chapters of Section III (Commission) of the Preliminary Draft General Budget are of particular interest to this Committee. These are Chapter 32 'Expenditure under the energy policy', Chapter 33 'Expenditure on research and investment' and Chapter 34 'Expenditure relating to safeguards'. The Committee is also competent to examine parts of Chapters 26, 36, 37 and 39.

2. It should be noted that this year's budget is in some respects different from its predecessor. Appropriations are, in the sections for which this Committee is competent, given in new European units of account (EUA) and not in the older units of account. In former years Chapter 33 had been treated separately and presented as Annex I to Section III (Commission). This year Chapter 33 is fully included in the main body of the Budget.

SECTION II

PRIORITIES

3. The basic objective of the Community's energy policy is to reduce the Community's dependence on imported energy as far as is economically feasible, if possible to 50% by 1985, while at the same time ensuring the security of those supplies which have to be imported.

4. In mid-1975 the European Community was dependent on imported sources for 61.4% of its energy requirements, and it now appears unlikely that Europe will be able to reduce dependence to the 50% target by 1985. The Committee on Energy and Research believes that the objective stated above can be achieved only through changing the pattern of energy demand by reducing where possible consumption of imported oil and petroleum products, the imposition of energy conservation measures and the rational use of energy. The energy supply structure would also have to be modified by encouraging Community production of petroleum, natural gas and solid fuels, carrying out research into new sources of energy, the expansion of the Community's nuclear capacity and, consequently, the security of nuclear fuel supplies. This, in its turn, would involve exploration for indigenous uranium deposits and the development of a safeguards system acceptable to the major suppliers of nuclear fuels.

5. Areas to which the Committee on Energy and Research would give particular priority would thus include

- (i) the coal sector,
- (ii) prospection for and exploitation of Community sources of hydrocarbons, including technological developments in the hydrocarbons sector,
- (iii) studies on the nuclear fuel cycle, and
- (iv) the assurance of secure supplies of nuclear fuels, involving both prospecting for uranium deposits in the territory of the Community, and the expansion of the Euratom Control and Inspection System.

6. The relevant chapters of the Draft Budget of the European Communities for the financial year 1978 will be examined in the light of these priorities, while ensuring that appropriations for each budgetary entry correspond to the opinion of the European Parliament as expressed in its resolution on each programme.

SECTION III

CHAPTER 26 - Expenditure on studies, surveys and consultations

7. One part of Chapter 26, Article 265 - Studies in the field of Nuclear Energy - falls within the competence of this Committee. This Article can be broken down as follows:

- Item 2650 - Studies in the context of technical assistance for nuclear power plant operators
 - Appropriations in the Preliminary Draft General Budget of 25,000 EUA, retained in the Draft General Budget.
- Item 2651 - Studies of safety techniques (the safety of nuclear installations) with appropriations amounting to 250,000 EUA in the Preliminary Draft Budget, retained in the Draft General Budget.
- Item 2652 - Studies on advanced reactor designs (Design and construction standards for fast reactors and processes to optimise the use of reactor cores) 100,000 EUA in the Preliminary Draft Budget, retained in the Draft General Budget.
- Item 2653 - Studies on the nuclear fuel cycle (technical - economic studies on waste reprocessing and storage) 125,000 EUA in the Preliminary Draft Budget, retained in the Draft General Budget.

8. These studies are of particular importance as they deal with critical areas for the acceptance of nuclear power by the general public. In the past the Committee on Energy and Research has favoured research on the nuclear fuel cycle (Noè Report, Doc. 69/76¹). In the discussions on the 1977 General Budget this Committee proposed an amendment to increase the appropriations allocated to this sector. The Committee on Energy and Research is pleased to note that there has been no attempt to reduce these appropriations, which form part of the priority actions enumerated in Section II supra.

SECTION IV

CHAPTER 32 - Expenditure under the Energy Policy

9. Appropriations entered under Chapter 32 of the Preliminary Draft General Budget amounted to 102,700,000 EUA in payment appropriations and 229,300,000 EUA in commitment appropriations, being an increase of 174.6% in payment appropriations and 174.94% in commitment appropriations over the General Budget for 1977. Had such an increase been maintained it would have been evidence of a willingness on the part of the Council to establish a far-reaching energy policy which might have a real effect on the pattern of energy supply and demand. The Budgetary Council on 20 July 1977, however, adopted a particularly negative approach to the energy sector, reducing the 229 m EUA commitment appropriations requested in the Preliminary Draft General Budget to a mere 25 m EUA (less than a third of the commitment appropriations entered in the 1977 Budget), while payment appropriations were cut from 102.7 m EUA to 25.3 m EUA. Thus there is a serious regression with regard not only to the 1978 Preliminary Draft General Budget, but also in comparison with the 1977 Budget.

10. If the Community is to reach its objective of reducing dependence on imported sources of energy and achieving the energy policy objectives as wished for by the European Council meeting in Rome in December 1975 and London in June 1977, further credits must be made available, totalling at least some 39 m EUA in payment appropriations.

11. As the European Parliament's budgetary powers are limited, the Committee on Energy and Research has had to make a choice among those items for which appropriations have been reduced by the Council, using the

¹ O.J. No. C 125 of 8.6. 1976, p.14

criteria outlined in Section II. The Committee on Energy and Research accordingly proposes that appropriations for the following items be increased:

Item 3200 - Community technological projects in the hydrocarbons sector

12. In the Preliminary Draft General Budget the Commission asked for 43 m EUA in payment and 47 m EUA in commitment appropriations. This was reduced by the Council, at its meeting on 20 July 1977, to 23 m EUA in payment and 25 m EUA in commitment appropriations. During the first three-year period of this programme, from 1974 to 1976, part of the cost of several European technological projects had been financed through the Community budget, the total of this aid coming to 75 m. In 1977 it had been agreed that further assistance, over a three-year period, be given to technological projects in the oil and natural gas sectors. This aid was to come to 50 m.

13. It appears probable that, in 1978, there will be fewer technologically interesting projects, to which the criteria laid down in Regulation No. 3056/73 of 9 November 1973¹ would apply, than in previous years. Nevertheless, the Committee on Energy and Research, convinced of its importance, feels that this programme must continue and that the Commission should be enabled to meet its contractual obligations. This Committee accordingly proposes that appropriations for this action be increased to 30 m EUA in payment and 35 m EUA in commitment appropriations.

Item 3201 - Joint projects in prospecting for hydrocarbons

14. If the Community is to reduce its dependence on imported sources of energy in a situation in which it would be impossible for the European economy to dispense with oil and natural gas, it is obvious that all possible steps should be taken to encourage prospecting for indigenous hydrocarbons. Where the risk is high, particularly with prospecting at depth on the High Seas, Community financial assistance is required. For this reason the European Parliament, in both the 1976 and 1977 Budgets, introduced amendments increasing allocations for this item. However, it would appear from the "Remarks" on page III/103 of Vol. 4 of the Preliminary Draft General Budget, that these funds have been spent on a proposal from the Commission, without any corresponding decision on the part of the Council. An explanation of the legal basis of this action would be

¹ O.J. No. L 312 of 13.11.1973, p. 1.

appreciated, particularly as expenditure amounting to 1 mUA was incurred during the 1976 financial year. This, however, in no way detracts from the utility of this activity, and the Committee on Energy and Research therefore proposes the re-establishment of 25 m EUA in commitment, and the introduction of 9 m EUA in payment appropriations, provided a satisfactory legal basis exists.

Item 321 - Prospecting for Uranium deposits

15. If the Community is to reduce dependence on imported hydrocarbons, a vigorous nuclear programme is required. Limited uranium reserves are known to exist in the territories of certain Member States. The European Parliament has already expressed its approval of this action by voting amendments to increase appropriations for this item in both the 1976 and 1977 Budgets. It should be noted that this programme does not require Council approval, its legal basis being Article 70(1) and (2) of the EAEC Treaty.

16. In the 1978 Preliminary Draft General Budget, the Commission entered appropriations of 6.7 m EUA in payments and 11.5 m EUA in commitments. At its meeting of 20 July 1977 the Council deleted these credits. The Committee on Energy and Research believes that it is logical for the Community to do all that is possible to develop indigenous reserves of uranium, particularly in the light of the current difficulties with regard to the supply of uranium from certain third countries. It is accordingly proposed to reinstate the appropriations originally requested by the Commission, i.e. 6.7 m EUA in payment and 11.5 m EUA in commitment appropriations.

New Programmes

17. The Council, at its meeting of 20 July 1977, refused to accept appropriations for any of the new programmes entered in the Preliminary Draft General Budget, on the grounds that no decisions have yet been taken on these programmes. It should, however, be remembered that discussions are taking place within the Council's services on all these new programmes, with the exception of Article 325 (on which the Committee on Energy and Research has already expressed its opinion - Osborn Report PE 48.921), and it is hoped that a decision will be taken on each of these new programmes by the end of 1977 or early in 1978. Unless appropriations are entered in the 1978 Draft General Budget, these programmes cannot become operational until January 1979, or until a special supplementary budget has been adopted. The European Parliament is, in principle, opposed to supplementary

budgets for such actions, so, in view of the urgency of the situation, particularly in the coal sector, the Committee on Energy and Research proposes the insertion of 8 m EUA in payment appropriations and 25 m EUA in commitment appropriations for Article 323, use of coal in power stations. This programme could make a significant contribution to the Community's coal industry, while reducing dependence on imported hydrocarbons for electricity generation. The Committee on Energy and Research, and the European Parliament¹, welcomed the Commission's proposal in the Bessborough Report (Doc. 45/77).

18. Article 322, Aid for Coal Stocks, is intended to finance an action strongly approved by the Committee on Energy and Research in the Osborn Report². This Committee regrets that the Commission entered only a token entry rather than the sums required for this programme, the urgency of which will be evident to all those acquainted with the current situation facing Community coal producers, adversely affected by both cheap imports and a low level of economic activity in the steel industry. Unless financial assistance for stocks of Community coal is granted to coal and coke producers in the near future, further pits may have to be closed, thereby making it impossible for coal, the Community's biggest domestic source of energy, to reach its 1985 target of 250 m tce. Coal production, now at 228 m tce per year, has fallen by nearly 9% since 1973, while at the end of 1976 stocks of coal and coke had risen to some 55 million tonnes.

19. The Committee on Energy and Research proposes that, as a minimum, the token entry requested by the Commission be reinstated.

20. Two other new items under Article 324, i.e. Item 3240, Community energy-saving programme, and Item 3241, coal gasification and liquefaction, have also been deleted by the Council. The Committee on Energy and Research is at present examining both of these actions, and, in general, has favoured both energy conservation and coal gasification and liquefaction in earlier reports by Mr Ellis (Doc. 314/76)³ and Mr Burgbacher (Doc. 325/74⁴ and Doc. 407/75⁵). The Committee is therefore proposing the following amendments

Item 3240 - enter appropriations of 5 m EUA in payments and 10 m EUA in commitments.

Item 3241 - enter appropriations of 3 m EUA in payments and 8 m EUA in commitments.

¹ O.J. No C. 133 of 6.6. 1977, p. 18

² PE 48.921

³ O.J. No. C 259 of 4.11.1976, p. 45

⁴ O.J. No. C 155 of 9.12.1974, p. 71

⁵ O.J. No. C 100 of 3.5. 1976, p. 6

21. Four items remain under Chapter 32. These are:

- Item 3242 - Exploitation of geothermal resources, with payment appropriations of 2 m EUA and commitment appropriations amounting to 9.8 m EUA in the Preliminary Draft General Budget. This item was deleted by the Council. The Committee on Energy and Research, deploring the Council's attitude with regard to alternative sources of energy, is proposing an amendment to reinstate 2 m EUA in payment appropriations and to enter commitment appropriations of 7 m EUA.

- Article 325 - Storage of nuclear fuels, had a token entry in the Preliminary Draft General Budget which was deleted by the Council at its meeting of 20 July 1977. The Committee on Energy and Research considers the re-establishment of this Article, with its token entry, to be highly desirable, and is proposing an amendment to this effect. The importance of uranium stocks, to provide a reserve for the Community's nuclear installations, became evident over the past year when uranium supplies from usually reliable third countries were interrupted.

- Item 3290 - Eximbank loans, and

- Item 3291 - Euratom loans, both have token entries in the 1978 budget, no expenditure on the part of the Commission being anticipated for either programme.

SECTION V

CHAPTER 33 - Expenditure on Research and Investment

22. This year, for the first time, details of expenditure on Research have been included in Volume 4 of the budget, the former Annex I having been abolished.

23. Appropriations entered in this chapter represent the budgetary implications of the multiannual research programmes adopted, in particular under the provisions of Article 7 of the EAEC Treaty and, in other fields, under Article 235 of the EEC Treaty. A distinction is made between direct action, which is carried out at the four establishments of the Joint Research Centre which was set up under Article 8 of the EAEC Treaty, and indirect action carried out by the Commission (D.G. XII) through the medium of contracts of association, cost-sharing contracts, study contracts, etc. (Article 10 of the EAEC Treaty).

24. The following table gives a breakdown of appropriations entered under Chapter 33 of the Preliminary Draft General Budget, as well as the changes decided on by the Council during its meeting of 20 July 1977 :-

	Preliminary Draft		Changes decided by the Council on 20.7.1977		New Appropriations	
	CA	PA	CA	PA	CA	PA
- <u>JRC</u> (Direct action)						
- Chap. 33	117,165,869	115,882,917	(-) 8,286,613	(-) 7,242,614	108,879,256	108,640,303
- Chap. 100	-	-	(+) 5,500,000	(+) 4,455,000	5,500,000	4,455,000
- Transfer to Item 2242 & Articles 343 & 394	-	-	(+) 1,831,000	(+) 1,831,000	1,831,000	1,831,000
Sub-Total	117,165,869	115,882,917	(-) 955,613	(-) 956,614	116,210,256	114,926,303
- <u>Indirect action</u>						
- Chap. 33	73,866,739	112,858,100	(-) 26,786,800	(-) 35,351,400	47,079,939	77,506,700
- Chap. 100	-	-	(+) 8,089,200	(+) 15,040,000	8,089,200	15,040,000
Sub-Total	73,866,739	112,858,100	(-) 18,697,600	(-) 20,311,400	55,169,139	92,546,700
TOTAL - Chap. 33	191,032,608	228,741,017	(-) 35,073,413	(-) 42,594,014	155,959,195	186,147,003
TOTAL - Chap. 100	-	-	(+) 13,589,200	(+) 19,495,000	13,589,200	19,495,000
TOTAL - Transfers	-	-	(+) 1,831,000	(+) 1,831,000	1,831,000	1,831,000
Net Reductions	(191,032,608)	(228,741,017)	(-) 19,653,213	(-) 21,268,014	(171,379,395)	(207,473,003)

25. The following table gives a breakdown of appropriations for direct action programmes.

Item	Direct Action Title	Preliminary Draft General Budget '78 Payment Appropriations EUA	Preliminary Draft General Budget '78 Commitment Appropriations EUA	Draft General Budget '78 Payment Appropriations	Draft General Budget '78 Commitment Appropriations
3300	Joint programme on nuclear safety	39,630,460	39,406,216	39,100,207	39,875,909
3301	Future energy sources	14,773,465	14,949,947	14,614,708	14,752,224
3302	Environment and resources	9,873,076	9,547,320	9,712,113	9,386,722
3303	Measurements, standards and reference techniques	15,888,189	15,898,121	15,731,185	15,727,748
3304	Support and services activities	8,732,859	8,519,692	8,593,028	8,380,052
3309	Completion of projects authorised under preceding programmes/JRC	This project will be completed with the aid of appropriations entered in the 1977 budget for this purpose. Consequently no appropriation is required for 1978			
	Joint Research Centre - Complementary programme				
3310	Operation of HFR reactor (Petten)	10,725,318	11,519,758	10,631,601	11,478,875
3330 ¹	JRC other activities ESSOR reactor installations and staff placed at the disposal of the Italian government	9,267,054	9,276,485	9,551,651	9,561,082
3331	Services performed by the JRC on behalf of outside bodies and individuals on request and against payment	706,496	717,330	705,810	716,644

¹ the ESSOR reactor and its staff were placed at the disposal of the Italian government. Since discussions concerning the extension of the contract which expired on 30 April 1977 are still under way, the appropriations requested are to meet only staff expenditure and certain expenditure concerning the use of infrastructure and scientific and technical support of the Ispra establishment of the JRC. Expenditure for this item will be covered by the payments made by the Italian government, entered under Item 9220 of the statement of revenue.

Item	Title	Preliminary Draft General Budget '78 Payment Appropriations EUA	Preliminary Draft General Budget '78 Commitment Appropriations EUA	Draft General Budget '78 Payment Appropriations	Draft General Budget '78 Commitment Appropriations
3332	Services performed by the JRC for other Commission departments	1,831,000	1,831,000	-	-
3333	Physical protection measures for the JRC establishments	4,455,000	5,500,000	Token entry	Token entry
	Total direct action expenditure Articles 330-333	115,882,917	117,165,869	108,640,303	108,879,256

26. Items 3300 to 3310 are to be carried out in accordance with the Council Decision of 29 March 1977 adopting a four-year (1977-1980) programme for the JRC. This programme was approved by both the Committee on Energy and Research (Walz Report - Doc. 283/76) and the European Parliament¹. The appropriations entered in the Preliminary Draft General Budget correspond to the wishes of the Committee on Energy and Research as expressed in the report by Mrs Walz. The Committee on Energy and Research is pleased to note that the Council has adopted a generally positive attitude to Direct Action programmes, and is consequently proposing only one amendment to this section, namely to Item 3333, for which appropriations were entered under Chapter 100 in the Draft General Budget.

Item 3333 - Physical protection measures of the JRC establishment

27. These appropriations were entered in the Preliminary Draft General Budget as the Commission has decided to conform to the International Atomic Energy Agency's recommendations concerning the protection of nuclear materials. The Council, in the Draft General Budget, reduced these appropriations to a token entry. The IAEA's standards are already being applied in the Federal Republic of Germany, and will shortly be applied in Italy, while their application is at present being studied in Belgium and the Netherlands.

28. The cost of these measures was not included in the financial provisions for the new JRC multi-annual programme adopted on 18 July 1977. The Committee on Energy and Research has not yet given a decision on these new measures, nevertheless this Committee has consistently maintained that Community institutions should set an example as far as nuclear protection measures are concerned, and therefore intends to propose an amendment re-establishing the appropriations entered in the Preliminary Draft General Budget under Chapter 33, i.e. 4,455,000 EUA in payment, and 5,500,000 EUA in commitment appropriations.

29. The situation concerning appropriations for Indirect Action can be seen from the following table:

¹ O.J. No. C 238 of 11.10.1976, p. 11

Item	Indirect action	Preliminary Draft General Budget 1978		Draft General Budget 1978		Approval by European Parliament
	Title	Payment Appropriations	Commitment Appropriations	Payment Appropriations	Commitment Appropriations	
3350	Training	1,490,800	1,287,800	1,534,700	1,331,700	Bessborough Report, Doc. 379/76, O.J. No. C 293 of 13.12.1976, p. 15
3351	Fusion and plasma physics (including the JET project)	55,295,100	13,384,300	25,852,900	6,452,900	Flämig Report, Doc. 402/75, O.J. No. C 7 of 12.1.1976, p. 43
3352	Biology and health protection	7,882,100	4,982,700	8,461,100	5,561,700	O.J. No. C 280 of 8.12.1975, p. 61
3353	Reference materials and methods Community bureau of reference	1,232,900	954,553	1,291,000	954,553	Osborn Report, Doc. 363/75, O.J. No. C 280 of 8.12.1975, p. 62
3354	Environment	5,273,300	2,223,300	5,356,800	2,306,800	O.J. No. C 280 of 8.12.1975, p. 59
3355	Plutonium recycling in light water reactors	1,873,000	693,886	1,901,800	693,886	Noè Report, Doc. 163/74 O.J. No. C 93 of 7.8.1974, p. 80
3356	Management and storage of radio active waste	4,169,600	4,369,600	4,198,800	4,398,800	Noè Report, Doc. 23/75 O.J. No. C 95 of 28.4.1975, p. 30
3357	Energy research and development sector (energy conservation, solar energy, production and use of hydrogen, geothermal energy, systems analysis (development of models))	23,717,100	21,967,100	23,907,200	22,157,200	Bessborough Report Doc. 526/74 O.J. No. C 76 of 7.4.1975, p. 28

Item	Title	Preliminary Draft General Budget 1978		Draft General Budget 1978		Approved by European Parliament
		Payment Appropriations	Commitment Appropriations	Payment Appropriations	Commitment Appropriations	
3358	Irradiated fuel reprocessing	1,000,000	2,000,000	-	-	Programme Proposal in preparation by Commission has not yet been considered by the Committee on Energy and Research
3359	Phasing out of nuclear installations	500,000	1,500,000	-	-	"
3360	Energy storage	800,000	1,500,000	-	-	"
3361	Primary raw materials	2,000,000	8,000,000	token entry	token entry	"
3362	Long-term forecasts and assessments (based on Europe plus 30)	532,600	632,600	token entry	token entry	"
3363	Light-water reactor safety	1,000,000	2,500,000	-	-	"
3364	Uranium ore prospect-in and processing	800,000	3,000,000	token entry	token entry	"
3365	Recycling of waste-paper and board	300,000	1,500,000	token entry	token entry	"
3369	Completion of projects authorised in preceding programmes	1,780,000		1,780,000	-	Approved in the resolution concerning each of these programmes
3370	Implementation of the Council resolution of 22 July 1975 'Technical problems of nuclear safety'	342,200	342,200	407,600	407,600	-
3371	Implementation of co-ordinated projects	740,700	900,000	token entry	token entry	-
3372	Staff awaiting assignment to posts	19,100	19,100	257,100	257,100	-

Item	Title	Preliminary Draft General Budget 1978		Draft General Budget 1978		Approval by European Parliament
		Payment Appropriations	Commitment Appropriations	Payment Appropriations	Commitment Appropriations	
3380 ¹	Research staff assigned to the BR2 Reactor Mol, placed at the disposal of the Belgian government	1,101,200	1,101,200	1,338,600	1,338,600	-
3381 ²	Other research staff placed at the disposal of outside bodies	1,008,400	1,008,400	1,219,100	1,219,100	-
	Total appropriations for Indirect action	112,858,100	73,866,739	77,506,700	155,959,195	

¹ In return, the Belgian government reimburses the Commission for the expenditure for this staff in accordance with the agreement concluded on the subject. These reimbursements are included in Item 9221 of the statement of revenue.

² The agreement concluded between these bodies and EURATOM provided for the reimbursement by the former of the expenditure on the remuneration and allowances paid to this staff by the Commission. These remunerations are entered under Item 9222 of the statement of revenue.

30. The reductions made by the Council at its meeting on 20 July 1977 come to 19.653 m EUA in appropriations for commitment and 21.268 m EUA in appropriations for payment, i.e. reductions by 10.29% and 9.30% respectively compared with the appropriations entered by the Commission in the Preliminary Draft General Budget. These reductions affect appropriations and staff for new actions which the Commission hope to initiate in 1978, particularly in the field of -

- primary raw materials,
- long-term forecasts and assessments,
- Uranium ore prospecting and processing,
- re-cycling of wastepaper and board,
- light-water reactor safety.

31. The Council also deleted appropriations and staff credits necessary for carrying out concerted actions, apart from a staff of 3 and 0.6 m EUA in commitment appropriations and 0.4 m EUA in payment appropriations entered under Chapter 33 for the action COST 68.

32. The Council transferred the appropriations concerning the JET project (Item 3351 - 8.29 m EUA commitment and 15.0 m EUA payment appropriations) to Chapter 100, as well as the appropriations concerning physical protection measures of the JRC establishment.

Indirect actions

33. The Council, in its meeting of 20 July 1977 replaced appropriations for the following new indirect action projects with token entries.

Item	Title	Appropriations entered in the Preliminary Draft General Budget	
		CA	PA
3361	Primary raw materials	8.000	2.000
3362	Long-term forecasts and assessments	0.633	0.533
3363	Light Water reactor safety	2.500	1.000
3364	Uranium ore prospecting and processing	3.000	0.800
3365	Re-cycling of wastepaper and board	1.500	0.300
	TOTAL	13.133	3.633

Item 3361 - Primary Raw Materials

34. A Community policy on raw materials supply, as recommended by the European Parliament on 19 April 1977¹, is clearly desirable. A basic element in such a policy would be the increase in the Community's self-supply potential through the exploration and exploitation of indigenous primary raw materials, as well as recycling and the substitution and conservation of such materials. To achieve these objectives, research and development actions would be needed in the field of raw materials. The Commission's proposal would deal with three major research areas: exploration for concealed and deep deposits in the Community, processing of low-grade ores and of mixed ores of various metals, and mining technology applied to deep mines and to high grade low-tonnage deposits. The Committee on Energy and Research, in view of the present world situation with regard to raw materials, is proposing an amendment to reinstate 2 m EUA in payment appropriations and 8 m EUA in commitment appropriations to finance this action.

Item 3362 - Long-term forecasts and assessments

35. It is important for the Community to define long-term priorities and objectives in the field of science and technology. The Committee on Energy and Research, believing that the modest sums requested for this action by the Commission in the Preliminary Draft General Budget are justified, is proposing an amendment that would reinstate the figures originally requested, i.e. 532,600EUA in payment appropriations and 632,600 EUA in commitment appropriations.

Item 3363 - Light-water reactor safety

36. In the Preliminary Draft General Budget the Commission requested commitment appropriations of 2.5 m EUA and payment appropriations of 1 m EUA, for this programme.

The Committee on Energy and Research believes that research on safety in reactors is essential if nuclear power is to become acceptable to the general public. For this reason this Committee will propose an amendment reinstating the appropriations originally requested in the Preliminary Draft General Budget for this programme, under Chapter 100.

¹ OJ No. C 118 of 16.5.1977, p.26

Item 3364 - Uranium Ore prospecting and processing

37. The Committee on Energy and Research believes that all possible should be done to contribute to the improvement of Community self-sufficiency in nuclear fuels and the development of prospection and exploitation of uranium deposits. Though this Committee has not yet given its opinion on these proposals, it feels that the appropriations entered in the Preliminary Draft General Budget for Item 3364, uranium ore prospecting and processing, i.e. 800,000 EUA in payment appropriations and 3 m EUA in commitment appropriations, should be reinstated and will propose an amendment to this effect.

Item 3365 - Recycling of waste paper and board

38. The Committee on Energy and Research feels that it is unable at this time to propose an amendment to Item 3365.

Item 3371 - Implementation of coordinated projects

39. The Council deleted appropriations concerning these coordinated projects not yet proposed by the Commission, and entered a token entry in Chapter 33 to permit the transfer of appropriations for the following actions:

- COST 68
- Town planning
- Medical research.

At the same time appropriations for the action COST 68 were entered in Chapter 100 and the staff required for this action entered in the establishment plan.

40. As it is hoped that these actions should come into operation early in 1978, the Committee on Energy and Research feels that, in view of the utility of these coordinated projects, and the relatively small sums of money involved, the totals requested by the Commission in the Preliminary Draft General Budget, i.e. 740,700 EUA in payment appropriations and 900,000 EUA in commitment appropriations be entered under Chapter 33, while deleting the appropriations for the action COST 68 from Chapter 100. The Committee on Energy and Research will propose an amendment to this effect.

41. As far as the staff for these actions is concerned, this Committee proposes that their number be reduced to six (2 A's, 2 B's and 2 C's), the necessary changes being made in the establishment plan.

SECTION VI

CHAPTER 34 - Expenditure relating to safeguards

42. In the Preliminary Draft General Budget the Commission requested 660,000 EUA in payment appropriations and 285,000 EUA in commitment appropriations to cover expenditure relating to safeguards.

43. These appropriations are intended to cover expenditure relating to the provisions of Chapter VII of the EAEC Treaty, the new regulation, adopted on 15.5.1977, (No. 3227/76), and the external obligations which the Commission has assumed, in particular in respect of the Verification Agreement concluded with the International Atomic Energy Agency in Vienna. As the secure supply of nuclear fuels forms a vital part of the Community's energy policy, and as certain third countries have been reluctant to supply Community installations with nuclear fuels because of alleged deficiency in the inspection and verification system based on the non-proliferation treaty, this Committee believes that the appropriations entered under this Chapter must be maintained.

44. In the last five years, the volume of nuclear material which has to be controlled by the Euratom inspectorate has increased considerably. There has been a substantial increase in the number of nuclear installations in operation in the Member States of the European Community. New control obligations and a modified and expanded system now involves a greatly increased work-load for the Euratom inspectorate. In the Preliminary Draft General Budget the Commission asked for an increase of 8A grade, 25 B grade and 10 C grade officials for the Euratom security and supervision section, these being the first of a series of staff increases corresponding to the growth in Euratom's obligations. Of the total of 534 new staff, for all Directorates General, requested by the Commission, the Council granted only 100. The Committee on Energy and Research is convinced of the importance of the 43 new posts requested for the Euratom inspectorate, and is proposing an amendment to add these 43 posts to the establishment plan, at a cost of some 783,000 EUA for 1978.

SECTION VII

CHAPTER 36 - Expenditure on scientific and technical information and on information management

45. Included in this Chapter are 3 items falling within the competence of this Committee. These are:

- Item 3611 - Assessment and utilisation of research findings,
with payment appropriations of 500,000 EUA in the
Preliminary Draft General Budget;
- Item 3620 - Appropriations first and second 3-year projects in
the field of documentary research, scientific and
technical information and documentation
Payment appropriations 2,850,000 EUA
Commitment appropriations 4,800,000 EUA in the
Preliminary Draft General Budget;

Item 3621 - Activities supplementary to the 3-year projects
 (on scientific and technical information and documentation
 (STID) project)
 Payment appropriations 785,000 EUA
 Commitment appropriations 1,300,000 EUA in the Preliminary
 Draft General Budget

46. During its meeting of 20 July 1977 the Council reduced appropriations for these items as follows:

Item	Commitment Appropriations (as fixed by Council on 20.7.77)	Payment Appropriations (as fixed by Council on 20.7.77)
3611	-	Token entry (150,000 EUA in Chapter 100)
3620	(4.5 m EUA in Chapter 100)	1.1 m EUA (plus 1.75 m EUA in Chapter 100)
3621	650,000 EUA	500,000 EUA

47. The Committee on Energy and Research does not wish to propose any amendment to either Item 3620 or 3621.

Item 3611 - Assessment and utilisation of research findings

48. Under this heading the Commission requested appropriations totalling 500,000 EUA to finance exploitation of results arising from Community funded R and D, to facilitate the circulation of information on newly available technologies and to undertake studies on innovation. This programme would have been complementary to the Community's research projects. It would have been used to promote the preparation of European functional, non-technical specifications for new devices, by examining problems of fiscality, venture capital, problems of small and medium sized innovative companies and of the technological balance of payments and by promoting cross-border technological information.

49. Some of this work would meet the wishes expressed by the Committee on Energy and Research in the resolution¹ (Doc. 75/77) tabled by Mrs Walz on the need for innovation and research policy measures to be taken by the Community in the near future in those areas in which Member States derive a low revenue from the granting of licences and have to pay substantial licence fees to third countries.

50. The Committee on Energy and Research is proposing an amendment that would enter 200,000 EUA in payment appropriations in Chapter 36, while retaining the 150,000 EUA in Chapter 100. This sum would enable exploratory work in this field to get under way during the course of 1978.

¹ OJ No. C 133 of 6.6.1977, page 23

Item 3621 - Activities supplementary to the three-year projects

51. The Commission requested 1,300,000 EUA in commitment appropriations and 785,000 EUA in payment appropriations in the Preliminary Draft General Budget. This was reduced to 650,000 EUA (commitments) and 500,000 EUA (payments) by the Council at its meeting on 20 July 1977.

52. A distinction should be made between the application and adaptation of automatic translating systems, aimed at reducing the number of translators required and speeding up translation times, for which at least 650,000 EUA in commitment appropriations would be required, and the conversion to the norms and features of the "Euronet" network of the various bodies of data now in existence or being developed within the Community institutions, for which at least 375,000 EUA in commitment appropriations would be required.

53. The European Parliament voted an amendment to the 1977 Budget providing appropriations amounting to 0.5 m.u.a. in payment appropriations for this programme. The Commission reports that early feasibility studies on multilingual and computerised translation systems proved to be very positive, and are at present being evaluated by CREST, and a committee on experts is being set up in collaboration with the national delegations. Insufficient funds in 1978 would both interrupt the progress being made in this field and might force the Commission to reconsider its attitude to this important development in computerised translation.

54. As far as conversion to the Euronet network is concerned, it would be quite illogical for the Community to set up a Community data network to which the existing bodies of data in the Community Institutions would effectively be denied access.

55. The Committee on Energy and Research is thus proposing an amendment which would increase appropriations for Item 3621 to the minimum level at which effective progress could be made, i.e. 1,025,000 EUA in commitment appropriations and 700,000 EUA in payment appropriations.

SECTION VIII

CHAPTER 37 - Expenditure in the industrial and transport sectors

56. One item in Chapter 37 falls within the Committee's terms of reference.

Item 3721 - Operations in the footwear sector with payment appropriations of 35,000 EUA. This project was approved by the European Parliament - Vandewiele Report (Doc. 466/76)¹ and for the financial year 1977 the Committee on Energy and Research requested the reinstatement of 245,000 u.a. in commitment appropriations for this project.

57. This year the Committee on Energy and Research feels that the appropriations requested for this project are fully justified, and is pleased to note that they have been maintained by the Council in the Draft General Budget.

SECTION IX

CHAPTER 39 - Other expenditure on specific projects undertaken by the Institution

58. Two Articles in Chapter 39 fall within this Committee's terms of reference. These are:

- Article 390 - Research Projects in the field of technology and industry, for which the Commission entered a token entry in the Preliminary Draft General Budget, and
- Article 391 - Preparation of new research programme for which the Commission requested payment appropriations amounting to 1.1 m EUA.

59. In the Draft General Budget the Council deleted the token entry requested for Article 390, while granting 1,060,000 EUA for Article 391. The Committee on Energy and Research believes that 1.06 m EUA is an adequate allocation for Article 391, but intends to propose an amendment reinstating the token entry for Article 390. This project aims at encouraging companies, particularly small and medium sized companies, to develop techniques for the rational use of energy and raw materials as well as environmental protection, new technologies, the creation of new jobs and increased competitiveness. The section on the conservation and rational use of energy is of particular interest in view of the high and frequently wasteful consumption of energy by smaller firms.

¹OJ No. C 30 of 7.2.1977, p.26

REPLIES TO THE QUESTIONS ADDRESSED
TO THE COUNCIL ON THE DRAFT BUDGET FOR 1978
BY Mr. SHAW, RAPPORTEUR

QUESTION No. 1

The Council's explanatory memorandum (Vol. 7) does not set out the basic policy considerations underlying the 1978 draft budget; could the Council state, for the information of Parliament, what basic strategy in regard to Community budgetary policy it followed in drawing up the 1978 budget?

ANSWER

In establishing the draft budget, the Council has endeavoured to put at the Commission's disposal the means necessary to pursue, in 1978, all actions for which an adequate legal base already exists or is likely to exist in the near future.

The Council's budgetary decisions are furthermore limited by certain other considerations; on the other hand the constraints of budgetary austerity, to which all Member States are necessarily subject, have inevitable repercussions on the Community budget; on the other hand, most, if not all Member States, are at present unwilling to put credits into the budget in respect of actions not yet agreed, or for which agreement does not seem imminent.

Given these constraints, the Council, in adopting the draft budget, attempted to give emphasis to the need to combat inflation and unemployment and to ensure greater economic stability, by according a certain priority to expenditure in the social sector, particularly that of the Social Fund.

QUESTION No. 2

Did the consultation with the Court of Justice, referred to in the first paragraph of the explanatory memorandum of the Council, take the form of a written text, or was it by way of a meeting?

ANSWER

In accordance with what has become traditional practice, the Court of Justice was represented by its Registrar throughout the deliberations which took place, within the Council, on the Court's financial estimates for 1978.

QUESTION No. 3

The Council has referred to the discussions with the Delegation from the European Parliament on the main budgetary and financial guidelines for the 1978 financial year (which took place on 20 July) and which recalled the viewpoint voiced by the European Parliament at its sitting on 10 May 1977. There is no evidence in the draft budget that Parliament's political viewpoint was followed and it would be appreciated if Council would indicate whether it accepted Parliament's policy guidelines and where?

ANSWER

According to the terms of the inter-institutional agreement between the Parliament and the Council concerning collaboration between the two Institutions in the course of the budgetary procedure, the meeting between the Parliamentary delegation and the President-in-office of the Council and such other members of the Council as desire to be present takes place in order to enable the Council to take note of Parliament's initial views on the general content of the preliminary draft budget.

The Council was thus fully aware of Parliament's views before it began its deliberations on the preliminary draft budget, and was able, certainly in respect of the European Social Fund, to follow certain of the priorities that members of the Parliamentary delegation had advocated.

QUESTION No. 4

Council refers, with an apparent lack of urgency, to the fact that in the absence of appropriate rules the budget cannot be adopted in EUA; knowing the significance which attaches to this major reform, could the Council indicate why it did not push ahead with the necessary preparatory work earlier in the course of the current year?

ANSWER

Council attaches considerable importance to the introduction of the EUA into the Community budget in 1978. In order to achieve this goal, work has been in progress, at technical level within the Council, since January 1977.

The fact that the Council established the draft budget for 1978 in EUA on 20 July of this year clearly demonstrates its intention to resolve the outstanding technical problems in this sphere.

There remains, nevertheless, a political problem of considerable dimensions, namely that of the joint interpretation of Article 131 of the Act of Accession.

A joint meeting of Foreign and Finance Ministers is planned for October 17, when it is hoped that the problem posed by Article 131 can be resolved.

The Council reiterates, however, that failure to resolve this problem would prevent the 1978 budget from being adopted in EUA.

QUESTION No. 5

As regards the reference to converting the budget into UA, in the event of EUA rules not being available, is the Council satisfied that the consequent upheaval in accounts would be justified and manageable and would there be sufficient time available to the Budgetary Authority to appreciate the significance of the changes in figures?

ANSWER

Before fixing the dateline by which a decision on the common interpretation of Article 131 would have to be taken, Council received assurances from the Commission that sufficient time would be available to effect the calculations involved (and for which conversion coefficients already exist in Vol. 7 of the preliminary draft) if it were found necessary to revert to the budget unit of account at October 31st.

The level of appropriations to be devoted to a particular community activity in 1978, expressed in the currency of any Member State, would not of course be affected by this conversion.

QUESTION No. 6

Parliament does not favour the use of the commitment terminology where remuneration, guarantee payments and other current activities are concerned. Parliament sees commitment authorizations as being appropriate in cases where activities are implemented over a number of years. Would the Council, therefore, justify its giving of pre-eminence to the commitments presentation in the draft budget?

ANSWER

The Council agrees with the Parliament that the term 'commitment appropriations' (commitment authorizations) applies to activities whose implementation requires periods which go beyond the yearly framework.

The Council believes that such divergences of view as exist between itself and Parliament concerning either the terminology or the exact nature of commitment appropriations would be best dealt with in the context of the conciliation procedure arising from the amendment of the General Financial Regulation.

QUESTION N° 7

The Council has reinstated the appropriations for food aid in Title 6. It did not agree with a Commission proposal that they be included in Chapter 92 (Food Aid). It does not appear to be good enough to say that the Council has not yet decided on this change and a fuller notification would be welcomed?

ANSWER

Council wishes to emphasize that the proposed regulation modifying regulations n° 2052/69, n° 1703/72 and n° 2681/74 concerning community financing of expenditure resulting from the supply of agricultural products as food aid, was received only days before the establishment of the draft budget.

In accordance with its view that the budget must closely reflect the legal situation existing at the time, Council was therefore obliged to include the appropriations for food aid refunds, as in previous years, in Title 6 of the draft budget, and not in Title 9 as the Commission had proposed in its preliminary draft. The Council's view is that this expenditure cannot be transferred until such time as a Regulation amending the Regulations on Community financing of expenditure resulting from the supply of agricultural products as food aid has been adopted.

The decision which Council took on establishing the draft budget was of course without prejudice to any future decision it may take concerning the proposed change in the Regulation.

QUESTION N° 8

The Council states that it is prepared to make an effort in appropriations in regard to the Social Fund. But, in so doing, has it overlooked the need for co-operation with the other partner in the Budgetary Authority?

ANSWER

The Council is convinced that, given the pace of growth attained in past years, its decision not to accept all the payment appropriations requested by the Commission for the Social Fund in 1978 is justified. The Council does not believe that the Commission will succeed in curbing expenditure in this Sector in a single year, and has therefore granted 80 % of payment appropriations requested.

The Council considers that, in the unlikely event of this rate of expenditure being exceeded, the shortfall in appropriations could be made good either by means of a credit transfer or - a more remote possibility - by means of a supplementary budget. In either event, the procedures leading to the voting of the supplementary credits involved would be those laid down by the Financial Regulation in force at the time.

QUESTION N° 9

As regards research energy industry, etc.:

"The Council has decided against some new measures proposed by the Commission for energy and industry as it seems premature to include them in the draft budget. However, this decision is entirely without prejudice to the decision it will subsequently adopt ...".
(Page 7, explanatory memorandum).

Given the urgency and the special Community significance which attaches to energy and industry, why did the Council not see its way to making reasonable provisions for new measures in these key areas as Parliament had looked for in its guidelines resolution?

ANSWER

The Council is unable to agree that the draft budget should contain appropriations in respect of major policies which the Member States have as yet been unable to define.

QUESTION N° 10

Council has said that, in agreement with the Commission, it reduced the commitment appropriations requested for some of the protocols with certain Mediterranean countries. Could the reason for this agreement be conveyed to Parliament?

ANSWER

The Council reduced the commitment appropriations in the case of articles 965 (Maghreb) and 966 (Machreck), with the exception of item 9662 (Lebanon) where the commitment appropriation proposed by the Commission remained unaffected, from 50 % to 40 % of the non EIB financial aid provided for in the financial protocols.

The Council reached this decision because it considered that, on account of the delays involved in the ratification of these particular protocols, their implementation would be considerably delayed.

The Commission was in agreement with this approach, and presented the estimates outlined above, which the Council was able to agree.

QUESTION N° 11

Why has the Council left for a later stage its fixing of the appropriations for food aid in the form of skimmed milk powder?

ANSWER

Council's decision to defer the fixing of the appropriations for food aid in the form of skimmed milk powder was taken on a proposal from the Commission and in the knowledge that the Development Council in November will have before it new Commission proposals in this sphere.

Council meanwhile emphasizes that appropriations in respect of the 150.000 tonnes of skimmed milk powder involved do appear in the draft budget at items 6201 and 6214.

The Council has adverted to the possibility of VAT not being available as an own resource in 1978 if at least three Member States have not applied the uniform basis of assessment for VAT by the end of 1977. In describing this, Parliament would like to know why Council could not have ensured that at least three Member States had taken the necessary steps earlier this year?

ANSWER

The Council wishes to point out that the Member States are solely responsible for taking the necessary steps to ensure the application of the 6th VAT Directive, and that this is not a matter which falls within its own competence.

QUESTION N° 11

Council refers to the VAT rate of 0.6376 % of the estimated value of the uniform basis of assessment for VAT. This would appear to correspond to the figure of 0.77 % cited by the Commission in the Preliminary Draft Budget - after allowance for cuts, of course. Were it not for technicality, the 0.77 % rate would, theoretically, be 0.61 %. For presentation and other reasons and also to ensure greater clarity, the lower and more relevant figure should be used if possible. Does the Council agree?

ANSWER

The question of the fixing of the Value Added Tax rate will necessarily arise during the final stages of the budgetary procedure, once the total extent of expenditure is known.

Revised Commission proposals concerning the methodology of estimating the uniform basis of assessment for VAT in Member States have recently been submitted to Council, and are before Parliament for its opinion.

It is already clear, however, that a certain element of imprecision will attach to estimates of Member States provisions in this domain in 1978, so that any figures quoted at this stage must be regarded as provisional and may well have to be rectified in the light of later developments.

QUESTION N° 14

In many cases, the Council has referred to deferred decisions as being the reason for not entering provisions in the draft budget. Does the Council appreciate that this deferral of decisions has the effect of blocking the making of budgetary provisions and thus of thwarting the use of the Community budget as a genuine policy instrument?

ANSWER

In certain cases, Council has not entered appropriations into the draft budget because it considers that an adequate legal basis for such appropriations does not exist. The Council's view is that such a legal basis, in the form of a Council decision or a regulation should generally exist before any commitment to expenditure is made. It seems moreover right that Member States be permitted to require that agreement on specific policies be reached before these are actually translated into budgetary terms.

QUESTION N° 15

As regards the deferral of decisions, the making of token entries and the under-provision for key policy areas, does the Council realize that consequential supplementary budgets next year could give rise to problems related to the VAT rate?

ANSWER

Should the budgetary authority be called upon to adopt a Supplementary budget in 1978, it is clear that the rate of VAT tax to be fixed in December of this year would have to be adjusted. It is equally clear that Member States would have to take the necessary steps to ensure, as in the past, that funds required for agreed community activities were made available to the Communities.

QUESTION N° 16

As regards the European Social Fund, the Council has stated that

"Given the rate of payments in the past, the Council considered that the Commission's forecasts would be difficult to achieve."

Has the Council endeavoured to ascertain the reasons for the slow rate of payments - sometimes attributable to national authorities' procedures - and has it tried to set things right?

ANSWER

The effective rate of payment of appropriations from the European Social Fund has given concern for some time. The Council thus welcomes the new initiatives proposed this year in this area by the Commission.

The Council feels that there is a continuing responsibility both on the Commission, to ensure that the most effective procedures are applied to scrutinizing demands and awarding assistance, and on Member States to ensure that demands for assistance are presented at the earliest possible point in time.

QUESTION N° 17

Also, as regards the Social Fund, the Council has suggested that it is preferable to meet any short-fall in payment appropriations by a course to either the transfer of the surplus or any budget procedure. This latter procedure would be preferable to a possible supplementary budget which would involve a mention of 1976 funds which has a role in regard to supplementary budgets. Should the Council take Parliamentary assent for grants?

ANSWER

The Council considers that payment appropriations provided for the European Social Fund in the draft budget will be sufficient to cover 1976 needs.

The Council also hopes that it enjoys Parliament's support when it endeavours to make its payment provisions for the coming year correspond to what actual needs will be.

QUESTION No 17

"The Council did not agree to the creation of a new Chapter 52 for carrying out new projects. In fact, the Council did not decide to start any new projects. A new line cannot, therefore, be created in the budget for the moment". (Page 33 of the explanatory statement.) Is this an appropriate stance in the prevailing difficult employment situation?

ANSWER

As is well known, Council is at present engaged in examining the new rules relating to the European Social Fund. In drawing up its draft budget, Council sought not to prejudice the outcome of that examination. The inclusion of a new Chapter 53 would, in Council's view, have been prejudicial to the negotiations at present under way.

It would be erroneous to interpret this purely budgetary decision as revealing any lack of interest, on Council's part, in the problem of unemployment.

QUESTION No 18

The Council decided to make only a token entry in Chapter 59 for aid to disaster victims in the Community. Why did the Council not see fit to erect last year's provision so as to be able to react immediately to any such disaster situation?

ANSWER

In making only a token entry in Chapter 59, the Council has continued its former practice of not attempting to make financial estimates in this sphere.

The Council considers in fact that it is virtually impossible to predict the size of any catastrophe which might occur in 1978, and that any budgetary provision would therefore be quite arbitrary.

The Council nevertheless wishes to emphasize that it will not fail to respond, as it has in the past, should unfortunate sections of the community population be stricken by disaster.

QUESTION N° 20

Rather than procrastinate, why did the Council not see fit to accept the Commission's figures for the European Regional Development Fund in view of the political importance of making a significant effort in the regional policy field?

ANSWER

The Council took the view that to have accepted the Commission's figures for the European Regional Development Fund in the draft budget would have implied acceptance of certain other structural changes the Commission suggested in its preliminary draft.

In order not to prejudice discussions on the future shape of this Fund, the Council therefor decided to repeat last years credits, but to write them into Chapter 100. By this purely precautionary measure, Council has sought to demonstrate that the Regional Fund will continue into 1978 and beyond at a level which has yet to be determined.

In much the same way, Councils non-acceptance, at this stage, of the new budgetary nomenclature proposed by the Commission, arose from a desire not to prejudice discussions at present taking place on the question of quota and possible non-quota percentages of the Fund.

QUESTION N° 21

In view of the fleeting reference to token entries in the Financial Regulation which implies that recourse to this technique should be rarely had, why did the Council see fit to include more than 100 token entries in the draft budget for 1978?

ANSWER

The Council would wish to point out that of the 91 token entries contained in Section III - Commission - of the draft budget, 67 (74 %) only repeat the token entries requested by the Commission in the preliminary draft.

The 24 other cases may be sub-divided as follows :

In eight cases, the token entry is accompanied by an appropriation in Chapter 100, thus enabling the credit to be blocked until such time as a decision has been taken, at which point the appropriation can be transferred to the budgetary line in question.

The Council prefers this technique, which is implicitly provided for at Article 21, paragraph 3 of the Financial Regulation, rather than the technique of blocking appropriations on the budgetary line, a technique which is not at all provided for in the Financial Regulation.

In a further sixteen cases, the token entry is not accompanied, in the draft budget, by an appropriation in Chapter 100. Nevertheless the token entries in question would allow the actions involved to be begun should the need arise, by transferring credits from other budgetary lines.

QUESTION N° 22

In view of the great need to locate uranium deposits within the Community, why did the Council not enter a commitment provision for 1978 for prospecting for uranium deposits?

ANSWER

The Council entered 2,3 MFUA in payment appropriations at Article 321 to cover commitments from the years 1976 and 1977. As far as 1978 is concerned no commitment appropriations were made, since the Council has not yet taken a decision on the new proposal for a regulation submitted to it by the Commission.

QUESTION N° 23

Why did the Council not consider it necessary to enter commitment appropriations against headings 02, 930, 9300, 93000, 930000?

ANSWER

The reasons advanced by the Commission for introducing commitment appropriations against these headings did not succeed in convincing all Member States of the desirability of accepting this proposal at the present time.

QUESTION N° 24

What is the significance of the phrase "for reasons of budgetary necessity", used at page 58 of the explanatory memorandum?

ANSWER

The phrase in question (used as a rendering of the French "pour des raisons de contraintes budgétaires") is intended to indicate that Council's room for manoeuvre in this sphere was subject to the constraints of budgetary austerity.

QUESTION N° 25

How can the Council say, at this point, that the submission of the European Report Plan cannot be expected during the fifteen months ahead?

ANSWER

Within the Council there has been a marked lack of positive response to the Commission's original proposal.

Following Parliament's opinion in May 1977, there seems a distinct possibility that a modified proposal will be presented by the Commission. Experience shows, that under these circumstances it would be unrealistic to think of translating this action into budgetary terms before 1979.

At page 64, the Council states that it has made a "study and thorough examination of the additional staff requirements submitted to it by the Commission. Could Parliament have more details of the examination made and of the reasons which prompted Council to propose the particular increases shown in the draft budget?

ANSWER

Article 12, paragraph 3, of the Financial Regulation provides that the Commission shall submit, with the preliminary draft budget, a statement giving the reasons for requesting new posts.

Council thus had at its disposal, in drawing up the draft budget, the detailed 96 page working document entitled "justification of the new posts requested in the 1978 preliminary draft budget". It is fair to say that this document formed the basis of exhaustive discussions on the question of new staff in the draft budget.

In according the 100 new posts in the draft budget, the Council had in mind that in certain policy areas, the Commission's work load has increased or will increase considerably in 1978 (Fisheries, Own Resources etc.). Nevertheless, the Council is convinced that much redeployment of staff is still possible within the Commission, despite some measures already taken in this area.

In not suggesting the specific areas to which the 100 new posts should be allocated, the Council was following its established practice of allowing the Commission to decide freely the allocation of its own manpower.